

France's Iraq Ties Hindered Effort to Appease Iran

By Edward Cody
Washington Post Service

PARIS — Prime Minister Jacques Chirac's much-heralded attempt to improve contacts with Iran has foundered against the background of France's long-established and highly lucrative military ties with Iraq.

With France and Iran now in a dangerous confrontation and French diplomats trapped in Tehran, the search for friends in Ayatollah Ruhollah Khomeini's Islamic government seems, in retrospect, to have been doomed from the start for a nation that, alongside the Soviet Union, had become one of Iraq's largest arms suppliers.

When an Iraqi pilot attacked the U.S. frigate Stark on May 17, killing 37 sailors, he fired a French-made Exocet missile from a French-made Mirage plane and likely returned home with guidance from a French-made radar system on the ground.

When Iraq needed to replenish artillery and munitions stocks last February after an Iranian offensive near Basra, Foreign Minister Tariq Aziz flew to Paris for talks with Mr. Chirac and a visit by Iraqi experts to the headquarters of Thomson-CSF, a French arms manufacturer.

General Abdul Jabbar Chanehall, the Iraqi official in charge of military supplies, had come here only three weeks earlier to help reschedule a debt to France estimated at more than \$4 billion accumulated in large part through de-

ferred-payment purchases of French weaponry since the Iran-Iraq war broke out in 1980.

Like President Ronald Reagan in his search for Iranian moderates, Mr. Chirac apparently tried what turned out to be impossible because of a burning desire to obtain Iranian help in freeing hostages kidnapped in Lebanon.

The repeated Iranian demand of French neutrality in the war, and the consistent French position that sales to Iraq will go on, seemed to create an irreconcilable contradiction in Mr. Chirac's policy from the beginning.

Unlike the Reagan administration, however, Mr. Chirac began the enterprise with a clearly defined French policy of supplying Iraq already in effect — a policy that had been initiated more than a decade ago by Mr. Chirac himself.

French officials have said that Mr. Chirac made it clear to Iran from the start of his attempt at renewed relations, in April 1986, that French policy in the Middle East would remain unchanged, including support for Iraq.

Foreign Minister Jean-Bernard Raimond, in a recent radio interview, said: "When we told the Iranians we were ready to normalize our relations in the framework of certain limits and without changing our Middle East policy, they understood very well."

Whether they understood or not, Iranian officials have been equally clear in explaining that French neutrality in the Gulf was a condition for improved relations.

Within days of General Chanehall's visit to Paris to secure more French weapons on credit, for example, an Iranian official also visited and insisted that

headquarters from a Paris suburb to Iraq. But nothing was done to end the military sales relationship with President Saddam Hussein in Baghdad and, French officials declared, nothing would be.

Reports in the French press have said Mr. Chirac's government led Iranian officials to understand that if French hostages were released in Lebanon, a way would be found for Iran to buy French military equipment as well. But Mr. Raimond has denied this, insisting that French envoys have repeatedly told Iran that arms sales were out of the question.

In any case, the repeated Iranian demand of French neutrality in the war, and the consistent French position that sales to Iraq will go on, seemed to create an irreconcilable contradiction in Mr. Chirac's policy from the beginning.

France long has maintained cordial relations with Syria, a traditional enemy of Iraq, without having to renounce its friendship with Baghdad. But Iran's fundamentalist leadership emphasized that such an arrangement was impossible with Tehran, even if both countries could profit from it, as long as the war with Iraq dominates life in Iran.

"How can you proclaim friendship and alliance with an aggressor?" the Iranian chargé d'affaires, Gholam Reza Haddadi, asked a French interviewer in February.

"We demand French neutrality in this war that has been imposed on us," he said. "We demand a halt in all military

aid to Iraq, to this country that threatens hundreds of villages, bombs civilian populations and uses chemical weapons."

As the Gulf conflict dragged on, France continued to sell Iraq missiles, electronics, artillery, ammunition and Mirage planes, arranging partial payments expressed by the United States and Britain. France sold Iraq five advanced Super Etendard aircraft in October 1983.

This gave Iraqi forces increased range for attacks with Exocet missiles against shipping in and out of Iranian oil ports. Iran threatened then to close off the Gulf if Iraq used the planes to attack petroleum tankers, helping set up conditions for the present crisis involving U.S. military forces in the Gulf.



Jacques Chirac

WORLD BRIEFS

British Ferry Officers Are Suspended

LONDON (Reuters) — The captain and the first officer of the *Heald of Free Enterprise*, were suspended Friday and their employers were censured for sloppy procedures on the British ferry that capsized in March, killing 183 people.

A High Court judge, Sir Barry Sheen, ordered the suspension of Captain David Lewry for a year and of First Officer Leslie Sabel for two years. In announcing the result of a marshalling investigation he headed, the judge also said the ferry's owner, *Thamesnet Car Ferries Limited*, was "at fault at all levels, from the Board of Directors down to the junior superintendents."

The ferry capsized on March 6 shortly after leaving Zeebrugge, Belgium, for a Channel crossing to Dover, England. About 400 people are believed to have survived. Judge Sheen said the disaster was caused when water entered through the bow doors, which had been left open, leaving the ferry unstable.

Palestinian Dies in West Bank Prison

JERUSALEM (Reuters) — A 23-year-old Palestinian collapsed and died in an Israeli prison while awaiting interrogation over alleged links with guerrilla organizations, Israeli prison officials said Thursday.

Because of recent accusations that Arab prisoners were beaten in Israeli jails, the body of Awad Hamdan was taken for examination to the Institute of Forensic Medicine. No signs of mistreatment were found, the officials said.

Toxic tests were ordered after a tiny mark was found on Mr. Hamdan's neck, and officials said the mark could indicate that he was strangled by a scorpion. The Palestinian, a resident of the Tulkarem area of the occupied West Bank, was arrested two weeks ago on suspicion of belonging to an undisclosed "enemy organization" and held at the Israeli-run prison in the West Bank town of Jozza, officials said.

Israel Minimizes Soviet Missile Report

JERUSALEM (AP) — Israeli officials minimized on Friday the importance of a Radio Moscow broadcast that cautioned Israel to "think twice" about developing a nuclear-capable missile that could reach the Soviet Union.

The Soviet statement was issued Thursday in a Hebrew-language commentary. It followed a report on Tuesday in the Geneva-based *International Defense Review* that said Israel recently had tested a nuclear-capable medium-range missile.

The Soviet broadcast urged Israel to "think twice and again about the influence of developing the missile that can strike at the territory of the Soviet Union." Israel Television said an Israeli official, who asked not to be identified, said: "We are saying nothing because it is ridiculous to assume that Israel has intentions to threaten the Soviet Union with missiles, and because if it is ridiculous, we do not comment."

Reagan Nominates Judge for FBI Post

WASHINGTON (AP) — President Ronald Reagan announced the nomination on Friday of federal judge William S. Sessions, who is known for his tough law-and-order approach, to be the director of the FBI.

The Federal Bureau of Investigation has been without a director since May 19 when William H. Webster was confirmed as director of central intelligence.

Judge Sessions, 57, is chief judge of the U.S. District Court for the Western District of Texas. He was named to the bench in 1974 by President Gerald R. Ford.

Panama Opposition Sues Army Chief

PANAMA CITY (Reuters) — Opposition leaders have filed formal charges against General Manuel Antonio Noriega, commander of the National Defense Force, accusing him of abuse of power and brutal repression of Panama's anti-government protest movement.

The civil suit was signed by more than 100 lawyers belonging to the so-called Civic Crusade. It accuses General Noriega of having ordered the "20,000-men of the police and military forces be commanded to use 'violence, extreme cruelty and savagery' to quell the anti-government protests that erupted here early last month.

The street protests began after Colonel Roberto Diaz Herrera, the military's former second-in-command, publicly accused General Noriega of corruption, electoral fraud and murder.

Cyprus to Take Turkish Charge to UN

NICOSIA — The Greek Cypriot-run Cyprus government said Friday it would protest to the United Nations over a Turkish allegation that it was training Kurdish rebels.

A government spokesman said a protest would be lodged with the United Nations "about the provocative and unacceptable statement" by Prime Minister Turgut Ozal of Turkey. Mr. Ozal said Thursday that "anti-Turkish subversion and separatist elements" were being trained in Greek-Cypriot south Cyprus. He said there was proof that weapons seized from Kurdish rebels in southeastern Turkey had come from southern Cyprus.

A senior Cypriot official called the charges "a shameful lie, absolute rubbish, a propaganda ploy." Rauf Denktaş, the Turkish Cypriot leader who heads the breakaway northern Cyprus state recognized only by Ankara, said that the accusations were true. "Greek Cypriots have opened their arms to terrorism and are training the enemies of the Turks," Mr. Denktaş said.

For the Record

Lyn Notziger, a former White House political director, pleaded not guilty in a U.S. District Court in Washington on Thursday to six felony charges that he violated federal ethics laws by lobbying the Reagan administration on behalf of Washedex Corp., Fairchild Industries and a marine engineers union. (197)

TRAVEL UPDATE

Delta to Refund Tickets to Wary Flyers

ATLANTA (AP) — Delta Air Lines has announced that it would refund the cost of tickets to anyone too frightened to fly following a series of mishaps involving its planes.

"We felt that was only fair," said Bill Berry, a spokesman for Delta, which is based in Atlanta. "In the past, when there has been a hurricane coming in and people are afraid to fly, or there has been any time when we feel that fear is a legitimate concern, we have been willing to make a refund."

Mr. Berry said Thursday the policy will apply even to tickets that are normally unrefundable. Delta has been plagued with a series of near accidents and other problems, but airline officials insist the incidents are unrelated and that the airline is safe.

A Delta Airlines TriStar with 267 people on board made an emergency landing at London's Gatwick Airport shortly after takeoff Thursday because of a technical problem, airport sources said Friday. The plane resumed its journey to Cincinnati after the fault was checked. (Reuters)

Heart Problem Forcing Cosmonaut To Cut Short His Mission on Mir

The Associated Press

MOSCOW — A Soviet cosmonaut who has spent nearly six months in space has developed a potentially serious heart problem and will be brought home next week, Soviet officials said Friday.

The announcement came shortly after the docking on Friday of a three-man Soyuz TM-3 capsule with the orbiting space station Mir, where Alexander Laveikin and Yuri Romanenko have been living since early February.

Viktor D. Blagov, the deputy flight director, said at a news conference in Moscow that Mr. Laveikin, 35, who is on his first space mission, had developed an abnormal electrocardiogram sometime during the flight.

"I may be serious, it may not be serious," Mr. Blagov said.

Tass said earlier Friday that Mr. Laveikin would be replaced at the end of the six-day docking mission by one of the Soviet cosmonauts who arrived in the capsule.

The capsule carried two Soviet cosmonauts and the first Syrian in space.

Mr. Laveikin apparently was reluctant to come home, but doctors and flight officials decided to make the crew switch while they had the chance.

Mr. Blagov said that although Mr. Laveikin "says he is not tired and believes he can work further, this is the time to take him off."

The first indication of a change

in plans came when Tass reported that Mr. Laveikin would change places with Alexander Alexandrov, 44, the flight engineer aboard the TM-3 capsule.

The capsule was launched Wednesday and docked with Mir on Friday morning.

The TM-3 capsule is scheduled to be linked with Mir for six days, to conduct medical and scientific experiments. Mr. Blagov said the mission would continue as planned.

But at the conclusion of the mission, Mr. Laveikin will join Alexander Viktorov, 40, the Soviet pilot, and Lieutenant Colonel Mohamed Fariq, 36, a Syrian researcher, aboard the TM-3 craft for the return trip to Earth.

Asked about Mr. Laveikin's condition, Igor Goncharov of the Institute of Medical-Biological Problems said that telemetric data beamed back to Earth from the spacecraft indicated that all the cosmonauts were in good health.

Mr. Blagov later provided the explanation for the crew change.

It was at least the second time that a Soviet space mission has been altered because of health problems among crew members.

In November 1985, Lieutenant Colonel Vladimir Vasyutin fell ill after 63 days to orbit aboard the Salyut-7 space station.

The mission was ended, and Mr. Vasyutin and his two fellow cosmonauts were returned to Earth.

Mr. Vasyutin was hospitalized and released a month later.

Before the announcement that Mr. Laveikin would be coming home, the three TM-3 cosmonauts had docked their craft with Mir over the Soviet-Mongolian frontier and waved via television camera to their countrymen.

Radio Moscow said millions of people in the Soviet Union and Syria watched live transmissions of the docking.

There was no indication that the TM-3 cosmonauts had any problems during launch.

In April, the unmanned Kvant space laboratory failed to dock with the space station properly, and Mr. Romanenko and Mr. Laveikin were forced to leave their orbital platform to secure the craft.

Before joining Mir, the Soyuz capsule had made three passes over Syria to enable Colonel Fariq to take photographs for use in studying Syria's geography and natural resources.

Soviet space officials consider Mir, which was launched last year, the base for a permanently manned space station.

It has six docking ports that allow it to receive laboratory and supply modules or manned capsules.

The Soviet leader, Mikhail S. Gorbachev, sent the orbiting cosmonauts a message hailing their flight as "a new step in the many-faceted and fruitful cooperation of the Soviet Union and Syria."

Israeli Military Admits Defeat in Battle of Berets

Reuters

TEL AVIV — The Israeli Army has admitted defeat in an eight-year battle to force its soldiers, known for their casual appearance, to smarten up by wearing berets.

An army statement said that, starting Sunday, soldiers would be allowed to carry the unpopular berets folded beneath their left epaulettes, except during parades, official interviews and public events.

Thus ended a guerrilla war between conscripts and military police that began in 1979 when the chief of staff at the time, Rafael Eitan, in a drive to increase discipline, ordered that berets be worn at all times.

General Eitan would stop his car at hitchhiker shelters on Israel's major road junctions and catched beret-wearing soldiers. Military police would wait in



On-again, off-again beret.

ambush for unsuspecting servicemen and women, behind walls and in bus stations. The penalty for not wearing a beret was a fine and sometimes suspension of privileges.

Other unpopular rules remain in force. One bans women soldiers from wearing high-heeled shoes, another requires them to carry bulky black shoulder bags, nicknamed "Golda bags" after Golda Meir, a former prime minister.

Paper in U.K. Closed After 5-Month Run

Reuters

LONDON — Robert Maxwell conceded defeat Friday in a battle for London's newspaper readership and closed the *London Daily News* after five months of publication.

Mr. Maxwell, who also owns Mirror Group Newspapers, said the paper, with sales of less than 100,000 daily, had failed to meet his target of 200,000 after five months.

Less than an hour earlier he had disclosed that the newspaper had paid "substantial" out-of-court damages to the *Evening Standard* for accusing it of falsifying circulation figures.

The *Evening Standard*, owned by Lord Rothermere's Associated Newspapers, sells more than 550,000 copies a day. Mr. Maxwell said he had paid damages to the *Standard* for alleging March 6 that the rival paper's sales had fallen sharply.

He said of the *London Daily News*, "It is a good, intelligent, professionally produced and well-written newspaper, but it has failed to meet its essential minimum sales."

Five new newspaper titles have been begun in Britain in the past two years.

The independent, a quality broadsheet, is doing well and selling more than 300,000 copies a day.

The color daily *Today* was losing money but has been taken over by



Robert Maxwell

Rupert Murdoch and its immediate future is now assured.

However the left-leaning *News on Sunday* ran into financial trouble and its future is in doubt.

Sunday Sport, a tabloid, which relies on titillation and topical models, is also selling steadily.

Lord Rothermere surprised London on the eve of Mr. Maxwell's launching by announcing he was rescuing the *Evening News*, which he had closed three years earlier. The two papers then engaged in a circulation war.

Mr. Maxwell's holdings also include several local newspapers and a cable television company.

The launching of the *London Daily News* was estimated to have cost him £25 million (\$40 million).

SHULTZ: A Tale of Humiliation, Betrayal

(Continued from Page 1)

the Iran arms sales once he knew he could not persuade President Ronald Reagan to stop them.

Mr. Shultz's directness and his willingness to admit that his administration had produced a diplomatic and political fiasco lent more weight to the story he told.

The committee listened with rapt attention to his accounts of repeatedly attempting to warn the president and key officials about the damaging consequences of trading arms for hostages and of presenting a false account of those transactions to Congress and the American people.

He told of repeatedly being rebuffed and misled by officials, most specifically Admiral Poindexter and the late CIA director, William J. Casey.

Even more compelling was the picture of Mr. Shultz, a proud public servant who has followed one motto during his long career — "trust is the coin of the realm" — having to admit that he had been deceived and his counsels rejected.

But he showed no self-pity. Answering a question from the Senate select committee chairman, Daniel K. Inouye, Democrat of Hawaii, about how all the deliberate deception affecting the highest levels of the Reagan administration occurred, Mr. Shultz gave a soliloquy about democratic government and values.

"I want to send a message out around our country," he said, "that public service is a very rewarding and honorable thing, and nobody has to think they need to lie and cheat in order to be a public servant or to work in foreign policy."

"Quite to the contrary, if you are really going to be effective over any period of time, you have to be straightforward and you have to conduct yourself in a basically honest way so people will have confidence and trust in you."

He also offered a diagnosis for why his administration had gone wrong. The "function of gathering and analyzing intelligence" should be developed and carrying out policy," he said. He made it clear he was talking about the meddling in policy of Mr. Casey, and about the secret operators who prevailed over Mr. Shultz and his department's professional diplomats.

"I do not believe that heroes are people who deceive their president," Mr. Rudman said. "I believe the real heroes are people who speak up to their president, make their views known and are willing to take the great personal risks."

said, referring to officials elected by the public.

In the end, Mr. Shultz heard himself praised for his candor, for his attempts to warn the president of the damages inherent in the secret arms-for-hostages policies, and for adhering to his own principles and three times submitting his resignation to the president.

The Senate committee vice chairman, Warren B. Rudman, Republican of New Hampshire, told Mr. Shultz that he had shown that it was possible to conduct "an effective and a tough foreign policy," and that it could be done "lawfully, without lying, without shredding, without withholding key information from your president, without compromising the basic trust that honorable people believe in in the conduct of government."

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Gandhi Rules Out Any Gurkha State

New York Times Service

NEW DELHI — In an effort to end nearly a year of rising violence in eastern India, Prime Minister Rajiv Gandhi has met with the leader of Gurkha separatists and ruled out the creation of a special state for the group.

"The prime minister said that all their difficulties can be redressed or met without their having a separate state," a government spokesman said after the meeting this past week. Subhas Ghising, the leader of the 49-member Gurkha delegation, could not be reached for comment.

Mr. Gandhi authorized his home affairs minister, Bata Singh, to continue the discussions with a smaller delegation. The separatists, descendants of Nepalese settlers, are seeking a separate state in West Bengal State.



A survivor recovers from a bayonet wound suffered in the attack in Mozambique.

Massacre in Mozambique: Recounting the Horror

By William Claiborne
Washington Post Service

INHAMBANE, Mozambique — They came before first light, silently entering the remote village from the southwest, armed with AK-47 automatic assault rifles, bayonets and machetes.

Within five hours, they had disappeared into the bush, leaving behind a tableau of carnage unprecedented in the seven-year civil war that has paralyzed this once-idyllic country.

By the Mozambique government's account, 386 people — most of them civilians — were killed Saturday in and around the village of Homoine in coastal Mozambique by anti-Communist rebels who have been fighting to overthrow the Marxist government of President Joaquim Chissano.

Seventy others were seriously wounded and many more suffered lesser injuries.

Summed survivors of the massacre said that many of the victims were women and children slain in their beds in the village hospital.

The survivors said that other villagers who had fled to the hospital for refuge were gunned down or hacked to death by about 400 guerrillas of the Mozambique National Resistance, known as Renamo.

Mozambique officials said that more than 3,000 people fled the Homoine area, fearing that the attackers would return. The officials

said the guerrillas have been active in the area for some time.

Renamo, through its office in Lisbon, has denied involvement in the massacre. It suggested that the attack could have been a Mozambican government action designed to look like a rebel act.

The attack comes as conservative members of the U.S. Congress have begun an effort to gain U.S. support for the rebels.

Immediately after he visited the stricken town of 10,000 Thursday under a heavy army guard, Prime Minister Mario de Sa Graça Machungo condemned South Africa, saying it provided covert support for the guerrillas, but did not offer specific evidence.

The official Mozambique news agency, AIM, charged that rebels who had been infiltrating the Homoine area had recently received five parachute drops of arms and supplies from South African planes.

In response, the South African Foreign Ministry said in a statement: "The South African government has repeatedly stated that it is not providing assistance of any kind" to Renamo.

Under the 1984 Nkomati Accord between South Africa and Mozambique, South Africa agreed not to interfere in Mozambique, which in turn agreed to expel African National Congress guerrillas seeking to infiltrate across the border into South Africa.

Mr. Machungo also expressed shock that

U.S. legislators were considering aid to Renamo.

Referring to support for such aid by Sen. Jesse Helms, Republican of North Carolina, and Bob Dole, Republican of Kansas, the majority leader, Mr. Machungo told visiting foreign journalists:

"I can't understand why they insist in 1975, did in a plane crash on the South African border last October.

"Other survivors said that after the guerrillas entered the town at about 5:30 A.M., they attacked the police station but were driven back in a firefight. They then moved to the hospital, where they bayoneted local militia and indiscriminately killed patients, survivors said.

"One survivor, who was shot in the chest, said some of the gunmen were in civilian clothes and some shouted that the people should not be in towns, but should live in the countryside and provide support for the guerrillas.

Residents said that the local militia force of 80 to 90 irregulars, was outnumbered by the guerrillas, who fired rounds of 82mm mortar into the town.

Mr. Machungo said that some of the survivors in the village, which is accessible only by military convoy because of continuing Renamo attacks, said that women had been bayoneted and children had been kidnapped by the rebels.

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Washington On Medi...

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AMERICAN TOPICS

Mayflies Signal a Revival For Upper Mississippi River

Mayflies are swarming in the greatest numbers in 30 years along the upper Mississippi River, the Los Angeles Times reports, a sign that pollution controls are bringing new life to the river.

the same waters teem with walleyed pike, sanger, smallmouth bass and northern pike.

Short Takes

A Maryland man who used a toy gun in a robbery should not have been convicted of carrying a deadly weapon because the crime victim did not believe the gun was real, an appeals court has ruled.

Competition among hospitals tends to increase the patient's costs rather than decrease them, according to a University of California study of 5,732 hospitals.

The Anti-Defamation League of B'nai B'rith has appointed Abraham H. Foxman as national director.

died July 12 at the age of 64. The league was founded in 1913 to fight anti-Semitism. Based in New York City, it has 31 U.S. branches and offices in Jerusalem, Paris, Rome and Latin America.

It was here today, gone tomorrow for William Currie, 62, an unemployed Detroit, who was sure he had won a million-dollar lottery only to learn that he had not.

Barry Kirshner, owner of Flutes Champagne Bar in Washington, said his bartender, Joey Silva, has concocted the Poindexter Cocktail in honor of Rear Admiral John M. Poindexter.



AN OLLIE FOR THE FAMILY ALBUM — David Hawkins, a tourist in Washington, poses for a photograph with a cardboard cutout of Lieutenant Colonel Oliver L. North outside the Treasury building.

Reagan Signs Law For Aid to Homeless

By Robert Pear New York Times Service WASHINGTON — President Ronald Reagan signed a bill authorizing the government to provide slightly more than \$1 billion in emergency assistance to the nation's homeless over the next two years.

The law, signed Wednesday night, provides emergency shelter and some permanent housing for homeless individuals and families, as well as a wide range of services including health care, education and job training.

It is the first such comprehensive effort by Congress to address the problem of homelessness in America.

A White House official acknowledged Thursday that it was unusual for the president to sign a bill at night. The official said the timing of the signing was intended to demonstrate the president's "lack of enthusiasm" for the bill.

The official said Mr. Reagan was generally in favor of helping the homeless. But he said administration officials felt the bill provided too much money for some homeless activities.

The new law authorizes \$443 million in aid to the homeless in the current fiscal year and \$616 million in the next fiscal year, which begins Oct. 1.

No one knows for sure how many homeless there are in the United States. The Department of Housing and Urban Development put the number at 250,000 to 350,000 in May 1984. Advocates for the homeless say the current number is probably 2 million to 3 million.

The law will grant \$15 million this year and \$124 million next year to provide emergency food and shelter to homeless people around the country. In addition, it would provide \$50 million next year to cover administrative expenses incurred by states in distributing surplus food to the needy.

The measure would provide up to \$100 million this year and \$120 million next year for emergency shelter grants to be distributed by the Department of Housing and Urban Development. The money will permit cities and states to purchase or renovate buildings for use as shelters.

It authorizes \$12 million to provide job training to homeless adults next year; \$17.5 million over two years to teach homeless adults reading, writing and other basic skills; and \$5 million each year to

help states ensure that homeless children receive an education.

The bill also allows \$35 million this year and "such sums as are necessary" next year for grants to the states to provide emergency aid to homeless people with chronic mental illnesses.

Under the law, the U.S. government could provide \$10 million this year to local public and private nonprofit organizations that treat homeless people with alcohol and drug abuse problems. In addition it earmarks \$50 million this year and \$30 million next year to finance health care for the homeless.

Advertisement for air conditioning services. Text: 'Our air condition - the clean, fresh mountain air.' Includes contact information for PALACE HOTEL GSTAAD SWITZERLAND.

Advertisement for diamonds. Text: 'DIAMONDS YOUR BEST BUY'. Includes contact information for Joachim Goldstein diamond expert.

For 2 Senators, Stakes Are High on Bork Fight

By Edward Walsh Washington Post Service

WASHINGTON — Gently exchanging quotations from Alexander Hamilton, two presidential contenders who will play major roles in the fight over the Supreme Court nomination of Judge Robert H. Bork have disagreed on how the Senate should deal with the issue.

Senator Joseph R. Biden Jr., Democrat of Delaware and chairman of the Senate Judiciary Committee, accused President Ronald Reagan on Thursday of trying to "remake the court in his own image" through the Bork nomination.

Mr. Biden, who is seeking his party's presidential nomination in 1988, said the Senate has an obligation to consider Judge Bork's overall "judicial philosophy and the consequences for the country" should he be confirmed.

He compared Mr. Reagan's nomination of Judge Bork, now a U.S. Appeals Court judge, with President Franklin D. Roosevelt's "court-packing" plan of 50 years ago.

"We are once again confronted with a popular president's determined attempt to bend the Supreme Court to his political ends. No one should dispute his right to try. But no one should dispute the Senate's duty to respond," Mr. Biden said.

Bob Dole of Kansas, the Senate minority leader and a contender for the Republican presidential nomination, replied that consideration of Judge Bork's views on "specific political and social issues" would "offend common sense" and "be horribly shortsighted."

"The stark — and to his opponents disconcerting — fact is that Judge Bork's views are well within the acceptable range of legal debate," Mr. Dole said, "and, if presidential elections mean anything at all, are probably much closer to the mainstream of American thought than that of most of his political critics."

The low-key exchange, which took place Thursday in a nearly empty Senate chamber, underscored the stakes involved for the two presidential contenders as they prepare to lead the opposing sides in the Bork confirmation fight.

Arguing that the Senate repeatedly has "scrutinized the political views and the constitutional philosophy" of Supreme Court nominees, Mr. Biden spoke for an hour from a prepared text studded with scholarly references to the intentions of the framers of the Constitution and Senate precedents stretching back two centuries to George Washington's administration.

Mr. Biden's speech was well advertised in advance and Mr. Dole clearly had no intention of allowing his Democratic rival an unobstructed spotlight. He came armed with a more brief response that also quoted the framers, constitutional scholars and Senate precedents to buttress his contention that Judge Bork's political views should have no place in the confirmation process.

Mr. Biden quoted Federalist Paper 76, written by Hamilton, which stated that Senate review of Supreme Court nominations would prevent a president from appointing justices to be "the obsequious instruments of his pleasure."

In his reply, Mr. Dole quoted the same document as saying that the president was to be "the principal agent" in the judicial process, with the Senate acting to prevent the appointment of "unfit characters."



Judge Robert H. Bork, above, whose confirmation battle in the Senate pits Senator Joseph R. Biden Jr., above right, a Democratic presidential contender, against Senator Bob Dole, right, a Republican seeking his party's presidential nomination.

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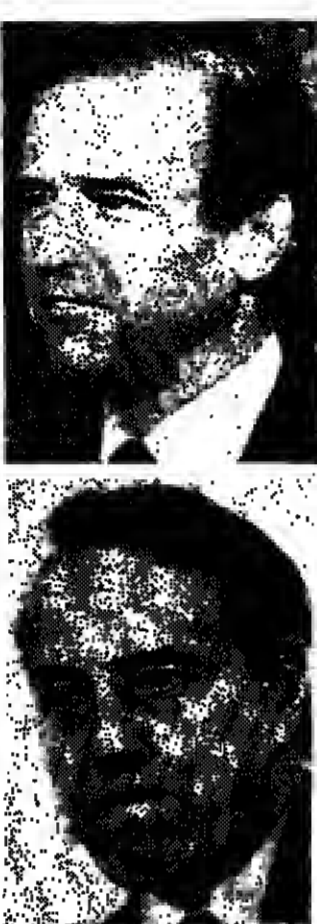
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The jockeying occurred as an aide to Senator Alan Cranston, Democrat of California, said a preliminary vote count showed 45 senators for confirmation of Judge Bork, 45 opposed and 10 undecided.

The administration was close to deciding to modify its position and support the Senate demand that 240 U.S. ground-launched cruise missiles in Britain, Italy, Belgium and West Germany not be converted to ship-based cruise missiles.

Instead, the officials said, the missiles would be destroyed. The officials also said there was broad, informal agreement within the administration to modify the U.S. demand that the Soviet side reduce its 1,435 medium-range missile warheads in Europe and Asia to the current U.S. level of 348 warheads before any reductions of the U.S. missiles occur. Short-range missiles can travel 300 to 600 miles (500 to 1,000 kilometers).

The Kremlin has insisted that some U.S. missile reductions occur at the same time. Several senior U.S. officials said Thursday that the United States would soon accede to this demand.



empty Senate chamber, underscored the stakes involved for the two presidential contenders as they prepare to lead the opposing sides in the Bork confirmation fight.

Arguing that the Senate repeatedly has "scrutinized the political views and the constitutional philosophy" of Supreme Court nominees, Mr. Biden spoke for an hour from a prepared text studded with scholarly references to the intentions of the framers of the Constitution and Senate precedents stretching back two centuries to George Washington's administration.

Mr. Biden's speech was well advertised in advance and Mr. Dole clearly had no intention of allowing his Democratic rival an unobstructed spotlight. He came armed with a more brief response that also quoted the framers, constitutional scholars and Senate precedents to buttress his contention that Judge Bork's political views should have no place in the confirmation process.

Mr. Biden quoted Federalist Paper 76, written by Hamilton, which stated that Senate review of Supreme Court nominations would prevent a president from appointing justices to be "the obsequious instruments of his pleasure."

In his reply, Mr. Dole quoted the same document as saying that the president was to be "the principal agent" in the judicial process, with the Senate acting to prevent the appointment of "unfit characters."

The jockeying occurred as an aide to Senator Alan Cranston, Democrat of California, said a preliminary vote count showed 45 senators for confirmation of Judge Bork, 45 opposed and 10 undecided.

The administration was close to deciding to modify its position and support the Senate demand that 240 U.S. ground-launched cruise missiles in Britain, Italy, Belgium and West Germany not be converted to ship-based cruise missiles.

Instead, the officials said, the missiles would be destroyed. The officials also said there was broad, informal agreement within the administration to modify the U.S. demand that the Soviet side reduce its 1,435 medium-range missile warheads in Europe and Asia to the current U.S. level of 348 warheads before any reductions of the U.S. missiles occur. Short-range missiles can travel 300 to 600 miles (500 to 1,000 kilometers).

A Low-Tech Response to Gulf Mines U.S. Navy Uses Rifles in 'World War I Stuff' Tactic

Reuters

LONDON — In an age of billion-dollar military technology, World War I tactics are sometimes the only feasible defense against sophisticated anti-ship mines.

Don Kerr of the International Institute for Strategic Studies in London said Friday that it was difficult and time-consuming to prevent a ship from running an underwater mine, as the tanker Bridgeton did early Friday in the Gulf.

After the mine exploded, extra lookouts armed with rifles were posted aboard the bow of the destroyer Kidd, the command ship of the U.S. convoy, and told to fire at suspicious objects in the water.

"This is World War I stuff," Mr. Kerr said. He said unless the commander of the convoy operation was willing to delay its progress by using state-of-the-art countermeasures, rifle fire would be the main line of defense.

"The modern approach to mine countermeasures is mine-hunting," Mr. Kerr said. "Instead of sweeping a towing device to set them off or to cut them loose — and then shoot at them — you search with sonar so you can find it up ahead."

"If a mine is detected," Mr. Kerr continued, "a robot vessel is sent near the device to drop an explosive charge, which is then detonated by remote control." He said it was a time-consuming operation.

Moreover, he said, once an area was cleared, it could be re-mined quickly "with a minimum of fuss and bother."

Mr. Kerr said the mine hit by the Bridgeton probably contained 330 pounds to 440 pounds (150 to 200 kilograms) of explosives, and, if Iranian, was likely to have been Soviet-designed.

The mine was apparently "bottom-moored," he said, dragging a heavy weight that kept it stationary so that those who laid it could chart the device and warn their own ships to avoid it.

"It's not the biggest thing in the world and one or two could be carried on the deck of a small vessel," Mr. Kerr said. "Their mooring is automatic and all you have to do is transport them and kick them over the side."

Other modern mines can be triggered by changes in water pressure or sound that occur when a ship passes over them. Mr. Kerr said they could be fine-tuned to explode only when a certain type of ship, such as a large tanker, approached.

U.S. Expected to Back Plastics Dumping Ban

The Associated Press

WASHINGTON — The United States is expected to join the Soviet Union in ratifying an international agreement to ban ships at sea from dumping plastic garbage, a practice that researchers say kills hundreds of thousands of seabirds and marine mammals each year.

Scientists say wildlife choke on the floating plastic bags, bottles and junk or become entangled in it. Rear Admiral J. William Kline, head of the Coast Guard's marine safety and environmental protection division, revealed Thursday before two House subcommittees that Soviet officials recently approved the agreement. It is known as Annex V of the International Convention for the Prevention of Pollution from Ships.

LOS ANGELES — A convicted slumlord confined to his rundown property while serving a sentence for health and building code violations is catching up on his reading.

"He seems to like it, actually," said Donald Steier, an attorney who represents Dr. Milton Avol, the Beverly Hills physician and real estate investor known as the "Rat Lord."

"He patters around the building and spends his evening reading novels," Mr. Steier said. "He said he hadn't been able to read novels for years."

Dr. Avol, 63, moved into the half-empty, rat-infested Hollywood building on July 13 for a 30-day stay after serving a 15-day jail sentence. He chose to sleep at the apartment as an alternative to spending more time in jail.

Judge Veronica Simmons-McBeth of Municipal Court imposed the sentence because of repeated infractions of city health and building codes.

Some cleanup is evident at the building. "It's a lot better," said Adi Cavazos, 26, who lives on the second floor.

"It's cleaner than before. There used to be a lot of garbage," she said, adding that "we have a problem with roaches and mice."

Dr. Avol has been obeying the conditions of his sentence by remaining at the complex during the day and in his room at night, said Stephanie Sautner, a deputy city attorney.

"He looked quite content to be there, to tell you the truth," Ms. Sautner said. "He's a strange guy. He had a lot of magazines and legal documents. I think he's catching up on all his lawsuits."

Washington Plans New Concessions On Medium- and Short-Range Arms

By R. Jeffrey Smith Washington Post Service

WASHINGTON — The Reagan administration intends to offer several new concessions on a proposed treaty with the Soviet Union eliminating medium-range and shorter-range nuclear missiles, according to U.S. officials.

But the officials said again Thursday that Washington would not agree to the Soviet demand for removal of the warheads for 72 aging West German missiles.

The officials said the planned U.S. concessions thus would cover three of the four principal issues identified Thursday in Moscow by the army chief of staff, Marshal Sergei F. Akhromyev, as obstacles to a missile treaty and a summit meeting between President Ronald Reagan and the Soviet leader, Mikhail S. Gorbachev.

With such a major issue unresolved, some officials were skeptical that a treaty might be concluded within the next two months, as the Kremlin has suggested. Instead, one U.S. official said, it might be concluded by the end of the year after further discussions by U.S. and Soviet foreign ministers during the September meeting of the United Nations General Assembly.

There are no plans yet for a U.S.-Soviet ministerial meeting at the time of the UN session. Several senior officials said the three issues on which the United States would compromise were the timing for dismantling medium-range missiles, the question of shifting missiles based in Europe to ships offshore, and provisions for inspections to verify compliance.

On Thursday the administration began studying exactly how to modify the treaty verification and timing provisions included in its draft treaty in Geneva. Several senior U.S. officials said

New York Court Voids Regulations To Cut Down on Smoking in Public

New York Times Service

ALBANY, New York — A New York state appeals court, in a 3-2 decision, has ruled that the administration of Governor Mario M. Cuomo should not have issued broad restrictions on smoking without the approval of the state Legislature.

The case now goes to the state's highest court, the Court of Appeals, which is expected to hear it in the fall. In the meantime, the smoking regulations will not be in effect.

Thursday's decision found that the Public Health Council, whose 15 members are named by the gov-

ernor, exceeded its authority when it unanimously voted the restrictions on Feb. 6. The decision was handed down by the Third Department of the Appellate Division of the state Supreme Court.

The regulations would prohibit smoking in most public indoor areas and would limit it in the workplace to separate rooms. Restaurants with 51 or more seats would be required to set aside nonsmoking areas.

The Public Health Council unanimously voted the smoking regulations after a finding by the U.S. surgeon general last year that nonsmokers could be harmed by inhaling the smoke of others.

'Rat Lord' Doing Fine, Lawyer Says

The Associated Press

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INTERNATIONAL Herald Tribune

No Excuse Left to Fail

Mikhail Gorbachev has thrown aside the last major obstacle to a nuclear arms treaty. He has accepted President Reagan's proposal to eliminate all medium- and shorter-range nuclear missiles in Asia as well as in Europe. There is now no serious excuse for failure to resolve remaining differences.

At least two significant issues remain. The Russians insist on eliminating 72 West German missiles with warheads owned and controlled by the United States. A fair compromise would leave the missiles and warheads as they are, with Western assurances against modernization.

Shultz Takes the Stand

Finally someone got up in front of the Iran-contra committee and, without having to look to one side at his lawyer or over his shoulder at the specter of a special prosecutor, spoke to Congress with evident ease. He spoke in a manner producing none of the questions about truthfulness and memory capacity that have attended the testimony of other witnesses.

notably a more sympathetic and engaged figure than the implausible president depicted in the testimony of his NSC staff members. Mr. Shultz takes the view that Mr. Reagan acted as he did because he was getting bad information. Others will challenge that. They will say that the president was getting bad information because only on the basis of bad information could his objectives — retrieving the hostages at any cost, and supporting the Contras — be pursued.

Summer in New York

To walk around New York on a hot summer day is to realize just how old-fashioned a place it is, and how noisily human. In more modern Sun Belt cities summer heat forces windows shut to keep in the air-conditioned chill. In New York, it forces windows open in many homes to admit any passing breeze — and with it the sound of babies crying, brakes screaming, stereos blasting, couples fighting.

Nor is New York a city where the natives get in air-cooled cars. They stand in steamy subway stations or jounce about in stuffy cabs or pray for a bus whose cooling unit still works. Or they walk, drenched in the humidity of the city, and in some of the damndest groups ever devised for 90 degrees-plus plus plus. Surely there is a protocol for warm-weather dressing — look at Indian women, serene in their saris — but New Yorkers have never mastered it.

Other Comment

Not Yet Dancing in the Street

The lifting of martial law in Taiwan, though a welcome development, brought no dancing in the streets in Taipei, or anywhere else on the island. The reason is that the Kuomintang regime still keeps a tight rein on Taiwan's political system. Just a few days before the lifting of martial law, which National Security Law was passed, which con-

tinues a number of restrictions on freedom of association, assembly and movement. Other laws effectively limit freedom of speech and of the press. So the lifting of martial law represents only a first step toward a free and democratic system. More must be done before the people of the island will indeed go out into the streets and celebrate.

INTERNATIONAL HERALD TRIBUNE JOHN HAY WHITNEY, Chairman 1936-1987 KATHARINE GRAHAM, WILLIAM S. PALEY, ARTHUR OCHS SULZBERGER Co-Chairmen LEE W. HUBNER, Publisher JOHN VINOCCO, Executive Editor • WALTER WELLS, Editor • SAMUEL ART, KATHERINE KNORR and CHARLES MITCHELLMORE, Deputy Editors • CARL GEWIRTZ, Associate Editor • ROBERT J. DONAHUE, Editor of the Editorial Pages

OPINION Germany Is Moving, Not Cutting Itself Loose

By Flora Lewis

BONN — Thirty-eight years after the establishment of two rival states in Germany, the leader of the Communist East is coming to visit the capitalist West for the first time this September. Erich Honecker, head of the German Democratic Republic, was born in a mining town in the Saarland, near the French border, and he will go to see his old home. More important, he will be received in Bonn with all the protocol accorded to the head of a foreign state, a status that was refused in 1964 when he was forced by the Russians to cancel his visit at the last minute.

consensus that West Germany must remain firmly tied to the West. Some of Chancellor Helmut Kohl's people argue that harping on "the German question" is a way to keep the eastern Communists from pre-empting a long-term emotional issue. But they will go out of their way to show Mr. Honecker that they have no intention of trying to destabilize his state. Bonn is delighted that its policy of encouraging contacts will enable two million East Germans to visit this year, more than 10 percent of East Germany's population.

military arrangements, though signs of close ties with France are always welcome. The fundamentals of the West German position do not change — reliance on the United States for defense guarantees, reliance on France for a European base. Mr. von Weizsäcker says that he told Mr. Gorbachev that improvement of the European dimension of East-West relations can come "only if France and Germany are cooperating. There can be no unilateral German way. It would be completely against our interest."

The Politics Of a Good Fastball

WASHINGTON — Like the United Nations, the annual congressional baseball game is designed to be a place for adversaries to sublimate their hostilities with minimal damage. Occasionally damage exceeds the minimal, as in 1956 when Eugene McCarthy, poet, congressman and former Great So League first baseman, rounded third and steamed into home where he encountered Tom Curtis, Republican catcher. Mr. Curtis spent the rest of the evening at the hospital with a dislocated shoulder.

to send the rookie Representative Jim Bunning, Republican of Kentucky, who has pitched no-innings in both major leagues, against Mr. Levine and the Demos in the annual congressional baseball game. Some congressional analysts claim that the motive for the Democrats' McMillen maneuver was more sinister. They say that Mr. Downey, an ardent nuclear-freeze advocate and "star wars" foe, was looking beyond a mere baseball game (though with Mr. McMillen he won by four). His real aim was to provide Republican hawks with a vivid demonstration of the risks and dangers of upstaging the established rules of democracy.

RUSSIA, WE ARE NOW TOLD, INVENTED BASEBALL... AS A LIGHT-HEARTED DIVERSION IN THE GULAGS, WHERE THEY ALSO INVENTED THE DESIGNATED HITTER RULE. AFTER HITTING THE BALL (A ROCK) THE BATTER MUST GET TO THE NEXT BASE WITHOUT BEING SHOT. A BALL LANDING OUTSIDE THE WIRE IS CALLED A HOME RUN. 100 MILLION OF THIS, AND WE HAVE ANOTHER CONGRESS — ARE THE PROCS GETTING SMALLER? OR ARE THE GULAGS GETTING SMALLER?

Taiwan: Ending Martial Law Was Only a Beginning

By Chen Hao

TAIPEI — President Chiang Kai-shek's decree of July 14 ending martial law was a milestone in the democratization of Taiwan. Significantly, it was accompanied by a loosening of foreign-exchange controls and an easing of restrictions on meetings in Hong Kong between Taiwan citizens and their mainland relatives. The Kuomintang, or Nationalist Party, has kept the initiative in the liberalization process, leaving the opposition Democratic Progressive Party, which is barely half a year old, stunned almost into silence.

Party meetings later this year are expected to bring a shift in leadership to a younger, more active generation. But a similar plan is needed for the members of parliament who were elected in 1949 as nominal representatives of mainland provinces. Seventy percent of the legislature is in this category; most are 80 or older. Equally, the ruling party must undergo a political and psychological transformation. For four decades the Kuomintang has monopolized power under martial law, defining itself as "a revolutionary democratic party."

Only if the Kuomintang were to lose its wide parliamentary majority would the armed forces intervene, most observers here suggest. But will its less visible role continue? There is also the question of constitutional reform. The present constitution has become a barrier to the decentralization of power. Demands for the election of provincial and municipal officials, all of whom are now appointed, will surely mount. So will support for either direct presidential elections or reforms within the National Assembly, which chooses the president and vice president.

With Toshiba, the Bashing Is Mutual

By Hobart Rowen

WASHINGTON — Americans are rightly outraged by the stupid, profit-oriented decision of the Toshiba Machine Co., along with a Norwegian arms firm, to make an illegal sale of sophisticated military technology to the Soviet Union. But it was equally stupid and downright juvenile for three Republican members of Congress, on the Capitol grounds, to sledgehammer a radio made by the parent Toshiba electronics company. This has given the Japanese a convenient way to duck the real issues involved.

be that Congress will ban Toshiba products. Despite the forthright response of Prime Minister Yasuhiro Nakasone condemning the Toshiba subsidiary, the Japanese public is defensive. And anti-American sentiment is rising, exacerbated by the Senate passage of trade legislation viewed, correctly, as anti-Japanese. The Japanese press suggests that the "real" purpose of the attack on Toshiba is to sabotage Japanese high-tech companies that have been getting the best of their American competitors. According to this theory, the first victim was Hitachi, accused of dumping semiconductor. Next, Fujitsu's plan to buy up the Fairchild company was blocked. Now, there's Toshiba.

ness friends that one of the main elements in the American budget deficit they complain about is a huge expenditure to defend the Western world, including Japan. What the Toshiba subsidiary and its Norwegian partner did was wrong. The companies should be severely punished by Japan and Norway, rather than by the U.S. Congress. The Norwegian company, fortunately for it, does not sell consumer products in the United States. Some Americans may avoid the Toshiba label. If Japan punishes the export problem, and keeps a close eye on other companies' practices, the issue will fade. The crucial point was made last week by Assistant Treasury Secretary David Mulford: Japan must understand that many recent events have eroded the support of its friends in America. These friends acknowledge that the bulk of the U.S. trade deficit can be traced to failures of U.S. government policy and to American management and labor practices. Still, Japan's failures to match action with its rhetoric about trade and capital-market opening are an irritant. If Japan's supporters in America begin to conclude that Japan's word cannot be trusted, we face an increasingly serious situation.

A Sure Test Of Glasnost

By Morris B. Abram

NEW YORK — By freeing nearly all Jewish prisoners of conscience, allowing some prominent scientists to return to their work, and giving the country and opening the gates slightly to Jewish emigration, the wily Mikhail Gorbachev has shown welcome signs of change and his scored points with his country's critics. But this has been done without any real change in the Soviet Union's policy toward its Jews. The Soviet Jews' movement both in the Soviet Union and in the West is deeply worried. We know that Moscow, along with security considerations, still denies emigration to Jews, many of whom have not worked in their fields for 15 or 20 years. This violates a Gorbachev pledge in Paris in October 1985 that no applicant for emigration and family reunification would be rejected for this reason after 10 years' absence from any post involving state security.

In fact, the use of the secrecy of qualification for repatriation to Israel and family reunification has been expanded. It is being used arbitrarily in the cases of several well-known Jews, all of whom have not been privy to secrets for more than a decade. Furthermore, regulations in effect since January permit emigration for family reunification only to those with parents, a spouse, siblings and children abroad, thus effectively barring most Jews from even applying to leave. Local emigration offices, while more cordial than in the pre-Gorbachev period, still do not accept most new applications. Even if Jewish emigration did rise to 3,000 during the first six months of 1987, it is proportionately a long way from the Soviet-inspired emigration of 11,000 by the end of the year and the precedent-setting 51,320 in 1979.

Thousands of refugees' cases are being reviewed, and most of these Jews apparently are receiving permission to leave. But we fear further movement will be stymied. At stake is the future of one of every six Jews in the world. Will they disappear in a black hole? Will the century that saw the loss of six million Jews also see the forced assimilation of the last big community of Jews in Eastern Europe? These questions are important not only to the Jewish community but also to the American people, Congress and the Reagan administration. For the Kremlin's secret police are complying with the 1975 Helsinki accords, which include the right to practice one's religion and culture and to leave one's country, has created doubts about its credibility in other fields. Discussion that Edgar Bronfman, the president of the World Jewish Congress, and I had with Soviet officials in March in Moscow were marked by a refreshing absence of the traditional Soviet obfuscation.

Not once did we hear, as had been the case many times before, that there was no Jewish problem in the Soviet Union and that Jewish institutional life was flourishing. Nor did the officials argue, as they habitually did, that all Jews who wanted to leave had already done so. On the contrary, they seemed to encourage a more positive approach on emigration and on Jewish life in the Soviet Union. Since these talks ended there has been little progress. The number of Jews permitted to emigrate has been disappointing, and the fundamental obstacles to their departure have not been lifted. In fact, the review process set up to deal with the tangle of refusals has been operating under deliberately imposed obscurity. Refusals face incredible difficulty even trying to make contact with members of the review commission. The Soviet Union's honor its international obligations does not threaten the Soviet system. The government is permitting the emigration of ethnic Germans and some Armenians to leave. Nearly 270,000 Jews have been permitted to leave over more than 15 years. In some East-bloc nations, Jews are routinely permitted to emigrate to Israel, and cultural and religious institutions are allowed to function. By contrast, the Soviet Union has the most despised and dejected Jewish community I have ever seen.

The fate of more than 10 million Jews serves as a kind of litmus test. The Soviet Union's response to Jews' demands for the right to leave will be a significant measure of the application of glasnost to human rights. It will also determine the worth of the Soviet Union's credibility in its proclaimed intention to live in peace with the West.

The writer, a lawyer, is chairman of the National Conference on Soviet Jewry. He contributed this to the International Herald Tribune.

IN OUR PAGES, 75 AND 50 YEARS AGO

1912: Churchill's Navy LONDON — Mr. Winston Churchill, speaking on the naval shipbuilding vote in the House of Commons [on July 23], declared that the Government had the situation well in hand and that there was no need for panic or alarm. Mr. Churchill gave a new explanation of the withdrawal of the fleet from the Mediterranean. He said: "I have heard it said that the Mediterranean battleships were brought home because they were of no use where they were. The utility of vessels of that class vanished entirely when the new Austro-Hungarian and Italian ships came into commission." Mr. Churchill also made a surprising announcement. "The Government," he said, "is spending forty-five millions this year on the navy. Next year it is going to spend more."

1937: A Televisionary WASHINGTON — In a message to the National Broadcasting Company congratulating it on the inauguration of its new Washington studios, which will shortly be equipped for television, President F.D. Roosevelt alluded to the radio industry's delay in exploring television and warned, "The watchdog of science must be progress." He warned that "reactionaries" had no right "to mark boundaries beyond which radio may not go." The broadcasting companies in the United States "have been much more cautious than those in Europe in putting television on the market." He believed that sooner or later television will be established in Europe throughout the country. Roosevelt said, "I think it may not be long before television makes its possible appearance at the breakfast table. The front pages of the daily newspapers [of the world]..."

The main worry in Tokyo seems to be that Congress will ban Toshiba products. Despite the forthright response of Prime Minister Yasuhiro Nakasone condemning the Toshiba subsidiary, the Japanese public is defensive. And anti-American sentiment is rising, exacerbated by the Senate passage of trade legislation viewed, correctly, as anti-Japanese.

ARTS / LEISURE

The Year of the 'Sunflowers'

International Herald Tribune THE end-of-season figures just released by Christie's illustrate the extraordinary transformation that the art market has been undergoing at an accelerated pace over the past 18 months or so. It has become an outlet for the surging flow of money in search of tangible wares to buy. The talk is no longer about investments that might bring

SOUREN MELIKIAN

a profit, but simply recognized goods into which money that is losing credibility can be converted. That is the main, if not the sole, explanation for the fantastic leap forward made by Christie's from one year to the other, and for the string of huge prices paid at the top of the market for a certain type of work of art.

From Sept. 1, 1986 to July 25, 1987, worldwide sales were up by 50 percent over the previous season, jumping from \$390 million (about \$537 million, all figures converted at the going rates at the time) to \$581 million (\$900 million). The firm did brilliantly in New York, where sales totaled \$308 million, which is 56 percent more than in 1985-86. It surpassed itself in London where its main

operation at 8 King Street in Saint James's, registered an unprecedented 85 percent gain — from £136 million to £251 million.

Sotheby's will be releasing figures later so that a direct comparison is not possible at this stage. But even more telling than overall figures is the unusual number of enormous prices which in many cases vastly exceeded the highest hopes entertained by both auction houses.

Christie's leads the pack with a record 25 works of art selling over the £1 million mark. Their breakdown tells more about the way the market is headed than volumes of theoretical analysis. All betray a yearning for famous names, be it that of the artist who created the work or the historic family or house with which the work had a long-standing association.

It is not mere accident if the two most expensive paintings ever sold by auction in the world — both at Christie's in London — carry the signature of van Gogh. One is the large-size still life of "Sunflowers" sold on March 30 for £24.75 million and the other a landscape, "Le Pont de Trinquetaille," painted in October 1888, which made £12.65 million on June 29. Neither qualifies as a masterpiece by the artist at

his highest. But they belong to one of his two most celebrated periods, the 14 months he spent at Arles in the south of France in 1888. By a most fortunate coincidence, a special exhibition devoted to that period was organized at the Metropolitan Museum in New York in 1984. It is by far the most beautiful exhibition of van Gogh's work held within living memory.

A remarkable catalogue written by its organizer, Ronald Pickvance, points out that "this period is frequently called the zenith, the climax, the greatest flowering of van Gogh's decade of artistic activity." The exhibition certainly proved the point. The fact that the two pictures may not have been quite so splendid as that period would suggest did not matter. Measured on the scale of publicity, cleverly whipped up by Christie's, which trundled them from Tokyo to New York, the two van Goghs rated as megastars and sold as such.

That the £24.75 million "Sunflowers" should have gone to a Japanese insurance company claiming to be wanting it for their corporate museum, bears out the point about money looking for anchoring points. True, the second van Gogh, which can be argued to be the most expensive of the two in relative terms because it is unfinished and harsh in its unusual composition, went to a collector living in Switzerland. He is the collector who, in December, acquired the next most expensive painting by Manet, a street scene in Paris, equally unusual in its way and very splendid, for £7.7 million. This merely means that those rare collectors who can afford to remain in the running are forced to pay the enormous sums that their new competitors are prepared to sink into art.

Next on the list comes one of the two most publicized names of English painting, with John Constable's landscape "Flatford Lock and Mill" which set a record for the

artist at £2.64 million on Nov. 21. This is a most admirable painting, remarkable for its complex composition and its feel for light betraying 150 years later the Dutch heritage, particularly that of Hobbema. But it is early for a Constable — it was sent to the Royal Academy show of 1812. The much more archetypal scene titled "The Young Walthamians," which was negotiated privately through Christie's this season, was acquired by the National Gallery of London on the basis of a gross valuation put at £10 million.

Here again the market strikingly reflects the attitudes of the new buyers who will pay more for a typical work carrying a big name, even though neither the buyer — England's most expert museum on Constable — nor those putting a price on the picture — Christie's highly competent team in this area — can remotely be described as new to the field.

By far the most telling indication of the way in which the art market is used as a financial haven by new buyers anxious to play it safe — as they see it — is the proposition of Impressionist, Modern and Contemporary works of art among the 25 items that exceeded £1 million. There were 18 of them, from van Gogh to Francis Bacon's "Study for Portrait IV" sold in New York on May 5 for \$1,760,000. Sotheby's list of works exceeding \$1 million has yet to be drawn up but even a superficial check reveals the overwhelming proposition of Impressionist, Modern and Contemporary works. On Nov. 10, there was Jasper Johns' "Out the Window" from the collection of Ethel Redner Scull sold for \$3,630,000, the highest price paid for a contemporary artist. It was followed on Nov. 11 by James Rosenquist's Pop fresco "F-111" from the estate of the late Robert C. Scull, her one-time husband and the true inspirer of the Scull collection. That went for



Christie's security controller David Murphy with the two van Goghs — £37.4 million worth of pictures.

\$2,090,000 while another Johns, "Double Flag," consisting of two American flags painted one over the other made \$1,760,000.

A week later on Nov. 18, it was the turn of Impressionism, with Renoir's "La Coiffure" soaring to \$3,520,000 and Henry Moore's "Reclining Figure," a 237-centimeter-long (about 7.7 feet) bronze figure commissioned by the Arts Council of Great Britain for the

Festival of Britain, realizing \$1,760,000. There were further explosions of enthusiasm at Sotheby's in London during the late March sales when a quasi-academic portrait of Rose von Rothorn by Gustav Klimt went up to \$1,760,000 followed by a portrait by Egon Schiele, much influenced by Klimt, at exactly the same price. The record for Klimt, however, was to be set on June 30, again at Sotheby's London, when a landscape blending the teachings of Pommilism and Symbolism, "Schloss Kammer," went for \$3.3 million.

The stylistic diversity of all these pictures shows that the prices do not relate to specific aesthetic interests. But all these works share characteristics that would appeal to newcomers to art. Firstly, the oeuvre of these artists is fully documented, from monographs to cata-

logues, miscellanea and exhibition catalogues. Secondly, within the oeuvre of each one, the highest prices have a tendency to go to those works that have a specific story attached to them, or, at the very least, a specific mention in art books on the subject. By definition painting and sculpture, from the days of Impressionism down to contemporary art are those that are closest to us and, therefore, best documented. These are sought after by the recent converts to art who ask for credentials and reference documents, like bankers about to buy a company. They may not be alone in the ring. But their presence, which is beginning to feel like an invasion, has drastically changed the game.

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Valentino's minis, fur-trimmed and sophisticated.

Rome Fêtes Valentino's Asymmetrical Mini

By Peggy Polk United Press International

ROME—Valentino, the biggest name in Italian fashion, gave his vote of confidence to the mini and came up with his own asymmetrical version that drifts from ankle to mid-thigh.

More than 1,000 fans, including the U.S. ambassadors to Italy and to the Vatican, crowded into Piazza Mignocelli next to the Spanish Steps Thursday night for Valentino's new traditional outdoor show. Hundreds more hung out of windows and balconies overlooking the cobblestone square in weather so sultry that Valentino put fans on each seat for do-it-yourself air conditioning.

Valentino, who has hedged his bets in the past by offering both mini and mid-calf skirt lengths, put all his bets well above the knee in this collection, which closed a week of Italian fashion showings.

With the short skirts, Valentino showed long belted jackets and light square-cut coats, sometimes in ribbed knits, sometimes in lightweight tweeds or cashmere with mink cuffs and hems.

"The important thing is that he gets his proportions right," said Dawn Mello, of New York's Bergdorf Goodman department store.

Valentino introduced lustrated leather in a snakeskin pattern and a zebra stripes silk print. The dominant colors in his collection were white, mauve, chestnut, gold and black with splashes of shocking pink, chartreuse, emerald green and the cardinal red that is his trademark.

What was distinctly Valentino was the wrap-around asymmetrical evening skirt that bared the legs in front and dipped to a deep vee in back.

Mello applauded a version in clove lace with an off-the-shoulder neckline and full three-quarter sleeves. The asymmetrical skirt also appeared in green watered silk and black crepe dresses and, even more dramatically, in a beige and green snakeskin print chiffon.

The skirts fluttered and drifted gracefully, emphasizing the leggy look, as the models strode along the runway purposely set at a downhill angle.

After the show Valentino gave a banquet of pasta, risotto, crab, sea bass, and fresh fig and raspberry ice cream for several hundred friends in his atelier on Via Gregoriana at the top of the Spanish Steps.

Valentino's fashion empire has sales of \$370 million per year. His clients include Jacqueline Onassis, Jane Fonda, Brooke Shields and Sophia Loren.

The female that he likes to design clothes for is high-style, poised, sophisticated and very rich. And Thursday night's performance, in the shadow of the Spanish Steps with a long, white catwalk overlooked by a statue of the Madonna, was no exception with lustrous fur trimming everything.

Reptile motifs were rampant with serpent markings snaking through the entire collection, including shiny snakeskin jackets, snakeskin-patterned silks and even snakeskin gloves.

Valentino had a brand new coat shape, bloused into a lowered waistline and wrapped narrowly round the thighs.

He brought back sporting checks in brown and white for peplumed suits and slimly cut redingotes. And the fire-engine red that Valentino claims is his good luck color put in an appearance for winter coats and dramatic evening gowns.

This has been high fashion week in Rome. As the city sweltered in temperatures up to 36 centigrade (97 Fahrenheit), the designers took to the open air to present their latest lines.

Apart from Valentino's piazza presentation, other settings included the island in the middle of the Tiber and a showing of fur fashions that totally blocked off traffic on the Via Veneto.

Hot it may have been, but the models, well wrapped up in cozy cashmere and sumptuous silks, didn't bat an eyelid or show a bead of perspiration.

At least their legs were exposed. Italy's top designers of made-to-measure fashions have opted unanimously for mini lengths, making skirts both tart and short.

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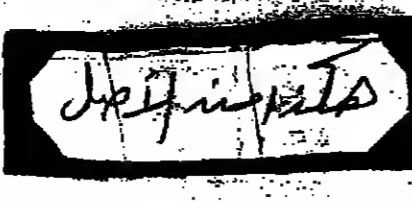
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STATURDAY-SUNDAY, JULY 25-26, 1987

ECONOMIC SCENE

Greenspan's Crystal Ball Seems Murky on Inflation

By LOUIS UCHITELLE
New York Times Service

NEW YORK — For more than 20 years, Alan Greenspan has figured prominently on all the lists of famous American economic forecasters. But now Mr. Greenspan's forecasting accuracy has been challenged in the U.S. Senate, which is about to vote on his nomination as chairman of the Federal Reserve Board.

A review of Mr. Greenspan's forecasts over the last decade shows that the challenge is only partly justified. His estimates of future economic growth have been close to the mark as most forecasters get, but his inflation predictions have been low. And as a government official in the mid-1970s, the forecasts for which he was responsible were often far off.

Within the economics profession, Mr. Greenspan and his consulting firm, Townsend-Greenspan & Co., are most respected for their analyses of the economics of individual industries. "When Townsend-Greenspan has a forecast of inventory spending or capital investment away from the consensus, then I look at it," said Donald Ratajczak, a forecaster at Georgia State University.

"In broader forecasts, they are satisfactory, but not great." The accuracy issue came up in the Senate Banking Committee Tuesday during a confirmation hearing. The Senate is expected to approve Mr. Greenspan's nomination as Fed chairman by an overwhelming vote. But Senator William Proxmire, the Wisconsin Democrat who is chairman of the committee, said he might vote against confirmation, partly because of what he called Mr. Greenspan's "glorious forecasting record" as chairman of President Gerald R. Ford's Council of Economic Advisors.

Mr. Proxmire voiced a concern that political pressures, which he acknowledged were always reflected in overly optimistic council forecasts, had been a big factor in the Greenspan de facto forecast. He said that no council since Mr. Greenspan's tenure, which lasted from mid-1974 until early 1977, had been as inaccurate in its forecasts.

MR. GREENSPAN did not dispute the charge at the hearing, nor did he take issue with the numbers cited by Mr. Proxmire. The figures showed that forecasts of growth in the U.S. gross national product had been overestimated, and that Treasury bill rates and changes in the Consumer Price Index had been underestimated. The errors ranged from 1.9 to 3.9 percentage points.

Accuracy in economic forecasting is designed an important attribute for a Fed chairman because of the power the Fed has in managing the money supply and in influencing interest rates. This in turn affects U.S. economic growth and the inflation rate. Mr. Proxmire said he had not looked into Greenspan's record as a private forecaster or, more specifically, the record of Townsend-Greenspan, to which Mr. Greenspan returned after his service on the council. These forecasts are produced by Mr. Greenspan and his staff from computer models of the economy and reflected his economic judgments until he was nominated to the Fed last month and separated himself from the firm.

Townsend-Greenspan's forecasts of GNP changes for the years 1978 through 1986, issued in the month of November before each of the years, displayed these characteristics: "They anticipated the recessions in the first half of 1980 and in 1981-82, but predicted that the first would be more serious than it was and the second less serious. The recovery that began in late 1982, but underestimated the GNP growth in 1983 and 1984.

When the recovery turned sluggish in 1985, Townsend-Greenspan's forecasts of GNP changes for the years 1986 through 1990, issued in the month of November before each of the years, displayed these characteristics: "They anticipated the recessions in the first half of 1980 and in 1981-82, but predicted that the first would be more serious than it was and the second less serious. The recovery that began in late 1982, but underestimated the GNP growth in 1983 and 1984.

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Lloyds Posts Big Net Loss

Loan Provision Is £1.07 Billion

By David Ress
Reuters

LONDON — Lloyds Bank PLC, Britain's fourth biggest bank, said Friday it had made a £1.07 billion (£1.71 billion) provision against potential Third World loan losses, giving it a net loss of £516 million for the first half of 1987.

That compared with a net profit of £214 million a year earlier. Lloyds reported a pretax loss of £697 million for the first half, offset by £335 million in the comparable period of 1986.

Lloyds' loan-loss provision far exceeded the £750 million to £850 million anticipated by share analysts. The bank's shares fell 16 pence within minutes of the announcement to 403 pence, and recovered to close unchanged at 409 pence.

Lloyds' chairman, Sir Jeremy Morse, said, "The general climate was that we had to make provision." He said the bank would have had a first-half profit 6 percent higher than last year's £214 million without the provision.

Therefore, it had decided to increase its provision to shareholders by 10 percent, and to make that payment from reserves.

The dividend was increased to 4.6 pence from 4.17 pence. Lloyds has now covered 30 percent of the £4.29 billion it loaned to countries now having problems servicing their debt.

Britain's biggest bank, National Westminster, set aside £466 million last month against Third World loans, while Midland Bank, the nation's third-biggest, reserved £916 million.

On Thursday, Midland Bank announced a pretax profit of £251 million for the first half but a net loss of £521 million, reflecting loan provisions and a restructuring.

U.S. banks, led by Citicorp, have set aside billions of dollars against doubtful loans. (Reuters, AP)

Selling a Bond by Any Other Name

Bankers Think Sushi, Bunnies Smell as Sweet

By David Ress
Reuters

LONDON — You can go to Heaven And Hell in the bond market, maybe after being bitten by a Bulldog or munching a Sushi, or perhaps setting your Cap for a Perpetual.

Nowadays, the jargon of bond dealers is as baffling as the variety of bonds being issued.

Once, there was simply the Plain Vanilla. That is what most people understood by a bond, a colossal IOU from a company or government. It paid a fixed interest rate for a fixed period.

But bonds are more elaborate now. "We're getting very fancy issues," said Sheldon Pringle, a managing director at investment bankers Salomon Brothers International in London. "There's lots of room for innovation."

Because borrowers are eager to cut the cost of raising money, new types of bonds have been multiplying like Bunnies, which are bonds that pay holders with more bonds instead of cash.

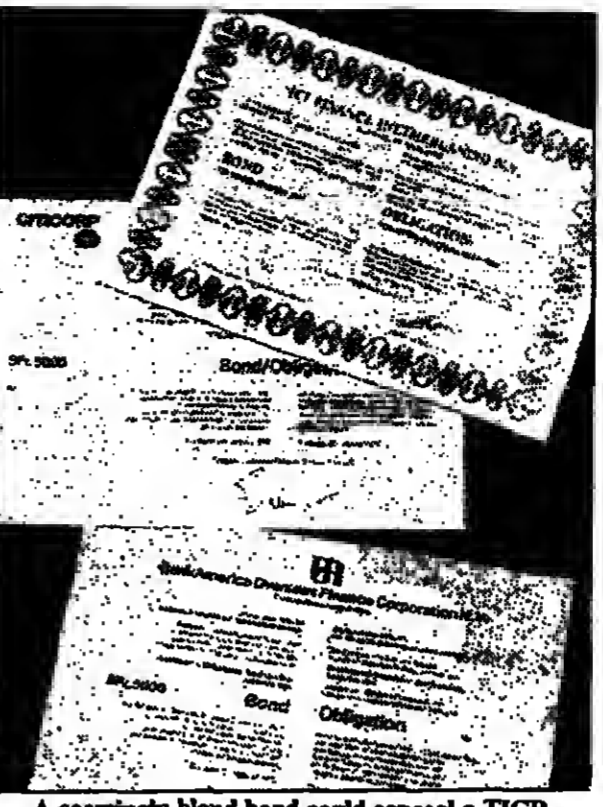
Now, you will wait forever to be repaid if you own a Perpetual. Although it never matures, you still get interest.

Many of the newer complications are lumped under the heading Bells and Whistles, and are used to target an issue at investors willing to take specific risks in return for a higher yield.

Cap limit payments made on bonds with variable interest rates, which are also known as Floating-Rate Notes or Floater.

Heaven and Hell bonds are issued in one currency but pay interest in a second. When the bond matures, holders are also repaid in the second currency, but the amount can vary depending on the exchange rate.

The holder is said to be in heaven if exchange rates move to give him more of the second currency than he would have gotten when he bought the bond. If not, well...



A seemingly bland bond could conceal a TIGR.

Well, if not, there are always FERARIs (Floating Eurodollar Repackaged Assets of the Republic of Italy), which are Floating-Rate Notes with interest paid from the borrower's holding of existing Italian bonds.

But in the bond market, FERARIs are not CARs (Certificates for Automobile Receivables), bonds backed by car loans.

Bells and Whistles led bond investors play the markets in currencies, shares, gold, oil and other bonds. There are Zeros, which pay no interest. Reverse Floating-Rate Notes, which pay out less as interest rates rise and more as interest rates fall, and Retractable, Extendible, and Convertibles (not a flashy type of CAR).

Kiwis are New Zealand dollar bonds. Kangaroos are denominated in Australian dollars, while the manager of CATs, TIGRs, STAGs and ZEBRAs repackages holdings of existing

generally quite small. Write-offs, while higher for some banks, were generally lower than a year earlier.

The 14 largest banks reported aggregate write-offs of \$1.53 billion for the quarter, compared with \$1.62 billion a year earlier.

"We think we're seeing a turning point in asset quality," said Lawrence Cohn of investment firm Merrill Lynch & Co.

Art Soter of Morgan Stanley & Co. said, "It appears there's some tentative evidence that loan quality is beginning to improve."

An important trend is either beginning or under way in areas such as energy, agriculture and shipping. Real estate continues to be a problem for a number of banks and may even get worse before it gets better.

Consumer banking losses were down for the quarter, reflecting reduced losses from credit cards.

"Most major issuers have ceased or curtailed their very aggressive direct-mail solicitation to the mass market," Mr. Soter said.

Because of a slump in bond prices in April, most banks did not post good quarterly results in bond trading.

The largest bond-trading loss for the quarter, of \$28.6 million, was suffered by First Chicago Corp.

BankAmerica and Chase Manhattan Corp. followed, each posting a loss of \$11 million.

Manufacturers Hanover Corp. had outstanding results on bonds, posting a \$24 million gain. Mr. Cohn said, "They tend to be stable. When the market is great, they don't make much money, but when the market is poor, they don't lose money."

Foreign-exchange trading was generally rewarding for the banks. See BANKS, Page 11

Amid Loan Losses, More Cost Control at U.S. Banks

By David Ress
Reuters

NEW YORK — Huge loan-loss provisions contributed heavily to losses totaling a record \$11.50 billion at the 14 largest U.S. banks in the second quarter, but analysts said they detected encouraging signs of improved credit quality and cost control.

The 14 banks, which each have assets of more than \$30 billion, made special provisions totaling \$13.9 billion to cover loans to troubled Third World borrowers, badly eroding their equity bases.

"Once the banks start actually charging off Latin American loans and using their reserves up, then capital ratios will deteriorate rather rapidly," said Carole Berger of C.J. Lawrence.

This will force many of the banks to issue equity in the markets over the next couple of years," she said that most U.S. banks are now undercapitalized, with average equity as a percentage of assets closer to 3 percent than the 5.5 percent considered comfortable.

Analysis said that the banks' earnings reports also reflected: • Stabilizing or slightly improving credit quality, including lower losses on credit card loans.

• Stagnant loan growth, offset by noninterest income.

• Poor bond trading, but healthy foreign exchange results.

• Higher expenses from expansion into investment banking, but otherwise improved cost control.

Without the special provisions, the banks, excluding BankAmerica Corp., estimated they would have posted aggregate earnings of \$1.28 billion for the quarter, compared with \$1.37 billion a year earlier.

A majority reported small declines in nonperforming loans, while the increases reported were

generally quite small. Write-offs, while higher for some banks, were generally lower than a year earlier.

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Foreign-exchange trading was generally rewarding for the banks. See BANKS, Page 11

\$23 Million Computer Muddle Added to Record BofA Loss

By David Ress
Reuters

SAN FRANCISCO — BankAmerica Corp., which posted a record \$1.14 billion loss in the second quarter, has quickly acknowledged a \$23 million computer muddle that is alienating key customers and may take months to fix.

The one-sentence disclosure was included in the company's second-quarter financial report released Thursday.

BankAmerica, parent of Bank of America, said that "the corporation established a reserve for estimated costs, arising from problems in Bank of America's conversion to a new trust accounting and reporting system, which reduced net income by \$23 million."

Bank spokesmen would not give details, but sources familiar with the affair called it a major embarrassment that has required the intervention of the chairman and chief executive officer, A. W. Clausen.

"Heads are going to roll," predicted one trust department official who requested anonymity. The problem is centered on Bank of America's Institutional Trust Services Department, which administers more than \$38 billion in pension-fund and other assets for more than 800 unions, government agencies and corporations, including Walt Disney Co., Pacific Telesis Group and Kaiser Permanente Medical Group.

The problems arose when a new data processing system, known as MasterNet, was brought on line in March.

"They committed two cardinal sins," the trust department official said. "They took down the old system before the new system was up and running. And they were the first big bank to install the system. A key rule in computer software is: Never go first."

The system has crashed for days at a time, the bank is months behind in providing customers with their monthly statements and there have been potentially costly delays in trading securities, the sources said.

"We are mortified the new system is not working as intended," said a June 10 letter to customers from BankAmerica's executive vice president for trust services, Clyde R. Clans.

Henry Vilardo, administrator of the Motion Picture Industry Pension Plan, which has more than \$700 million entrusted to Bank of America, called the situation a "real mess." He said some statements had been two months late.

BankAmerica's \$23 million reserve is intended to cover anticipated costs of fixing the system and claims from customers.

A spokesman confirmed that the bank had retained an outside law firm to help contain the problem.

Separately, Bank of America was censured Thursday by the Comptroller of the Currency for failing to warn securities customers that it was unable to maintain adequate books and records.

BankAmerica agreed to the censure without admitting or denying wrongdoing. Coincidentally, the problems were caused by a computer system conversion in 1984, a bank spokesman said.

Currency Rates

Cross Rates	July 24	July 25
Australian dollar	1.3100	1.3100
British pound	1.6400	1.6400
French franc	6.5500	6.5500
German mark	1.9300	1.9300
Italian lira	2.0000	2.0000
New Zealand dollar	0.6500	0.6500
Portuguese escudo	200.0000	200.0000
Spanish peseta	166.6667	166.6667
Swiss franc	1.7500	1.7500
Yen	160.0000	160.0000

Interest Rates

Other Dollar Values	July 24	July 25
3-month T-bill	7.75%	7.75%
6-month T-bill	8.00%	8.00%
1-year T-bill	8.25%	8.25%
3-month Treasury note	8.50%	8.50%
6-month Treasury note	8.75%	8.75%
1-year Treasury note	9.00%	9.00%

Key Money Rates

Money Rates	July 24	July 25
3-month T-bill	7.75%	7.75%
6-month T-bill	8.00%	8.00%
1-year T-bill	8.25%	8.25%
3-month Treasury note	8.50%	8.50%
6-month Treasury note	8.75%	8.75%
1-year Treasury note	9.00%	9.00%

Asian Dollar Deposits

Asian Dollar Deposits	July 24	July 25
1 month	4.50%	4.50%
3 months	4.75%	4.75%
6 months	5.00%	5.00%
1 year	5.25%	5.25%

U.S. Money Market Funds

U.S. Money Market Funds	July 24	July 25
Mutual Shares	1.10	1.10
Money Funds	1.10	1.10
Money Funds	1.10	1.10
Money Funds	1.10	1.10

Generale de Belgique Plans Share Issue Amid Bid Rumors

By David Ress
Reuters

BRUSSELS — Societe Generale de Belgique, at the center of takeover rumors, announced Friday that it planned a rights issue of shares for October.

Analysts noted that the issue, by diluting the share capital, would have the effect of helping repel a hostile contender for control of Generale de Belgique, the largest holding company in Belgium.

But several also said they believed that Generale de Belgique was mainly aiming to capitalize on the fact that its share price has risen substantially since the takeover rumors began a few weeks ago.

Since late June, Generale de Belgique's shares have risen on the Brussels stock exchange from 3,435 francs (\$89) a share to 4,140 at Friday's close, up 95 francs from Thursday.

Generale de Belgique said a special shareholders meeting would be held to approve the rights issue.

The company did not disclose the value of the issue, but a spokesman said it would be at least 6 billion Belgian francs, or \$155.8 million. That would represent about 6 percent of share capital.

Over the past month, nearly 8 percent of the company's shares have changed hands, with most of the stock apparently being snapped up by the same unidentified buyer. This has led to the rumors that Generale de Belgique may be the target of a hostile takeover.

However, the company spokesman denied that the share issue is an attempt to fight off an invader. He pointed out that Generale de Belgique announced in February that it would have as many as two rights issues this year. This would be the first one.

In recent weeks, the Belgian Bourse has reached record levels, which means the reception for new shares may be better than average.

U.S. GNP Grew 2.6% in Quarter, Above Forecasts

By David Ress
Reuters

WASHINGTON — The U.S. economy grew at a modest annual rate of 2.6 percent in the second quarter, better than expected but down from a revised 4.4 percent rate in the first quarter, the Commerce Department said Friday.

The department had originally reported first-quarter growth of 4.8 percent in the gross national product, but changed the figure in line with annual revisions based on newly available information.

Economists generally had expected a 1.9 percent growth rate in the second quarter, while their most optimistic assessment was for 2.5 percent growth. GNP measures the output of the nation's goods and services.

Although growth slowed substantially, economists said that economic activity actually was healthier than in the January-March quarter because it was propelled by higher consumer spending, a drop in the U.S. trade deficit and a rise in business investment.

Economists said that the GNP figure for the first quarter, boosted largely by a build-up of inventories, had overstated the economy's strength in that period.

The slower growth in the second quarter was accompanied by a slight drop in inflation. Measured by the same figures determining GNP, inflation was running at a 3.8 percent annual rate, only slightly below the 4.2 percent rate of the first quarter, and in line with market expectations.

For the first half of 1987, the U.S. economy expanded at a 3.5 percent annual rate.

The Reagan administration is predicting that the economy will expand at a 2.1 percent annual rate

this year, compared to growth of 2.9 percent in 1986.

To fulfill that prediction, the economy will need to grow at a rate of 2.9 percent in the last six months of 1987, a target that many private economists believe can be reached.

Commerce Department officials said that the second-quarter growth figures also reflected a build-up in business inventories, though smaller than in the first quarter.

Inventories increased \$41.

Vol.	High	Low	Last	Chg.
IBM	162 1/2	162 1/4	162 1/4	+ 1/4
AT&T	52 1/2	52 1/4	52 1/4	+ 1/4
Amgen	115 1/2	115 1/4	115 1/4	+ 1/4
Amgen	115 1/2	115 1/4	115 1/4	+ 1/4
Amgen	115 1/2	115 1/4	115 1/4	+ 1/4

NYSE 4 p.m. volume	134,790,000
NYSE adv. cons. close	14,200,000
Amex adv. cons. close	14,200,000
NYSE 4 p.m. volume	134,790,000
NYSE volume down	27,940,000
Amex volume up	1,110,000
Amex volume down	1,110,000
OTC volume up	1,110,000
OTC volume down	1,110,000

High	Low	Close	Chg.
Composite	1725 1/2	1725 1/2	+ 1/2
Industrial	1313 1/2	1313 1/2	+ 1/2
Finance	1571 1/2	1571 1/2	+ 1/2

Friday's NYSE Closing
Via The Associated Press

Advanced	Declined	Unchanged	Total Issues	New Issues
Advanced	Declined	Unchanged	Total Issues	New Issues

Close	Chg.	High	Low
Close	Chg.	High	Low

Vol.	High	Low	Last	Chg.
Vol.	High	Low	Last	Chg.

Close	Chg.
Close	Chg.

Close	Prev.
Close	Prev.

Buy	Sales	'87
Buy	Sales	'87

Open	High	Low	Last	Chg.
Open	High	Low	Last	Chg.

High	Low	Close	Chg.
High	Low	Close	Chg.

Advanced	Declined	Unchanged	Total Issues
Advanced	Declined	Unchanged	Total Issues

High	Low	Close	Chg.
High	Low	Close	Chg.

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

12 Month	High	Low	Stock	Div. Yld. PE	100 High	Low	Close	Chg.
12 Month	High	Low	Stock	Div. Yld. PE	100 High	Low	Close	Chg.

Blue-Chip Rally Lifts NYSE

United Press International
NEW YORK — Prices on the New York Stock Exchange closed higher Friday, helped by a late blue-chip rally in a week marked by profit-taking.

The Dow Jones industrial average advanced 13.39 points to 2,485.33. One hour before the close, it was only up about 6 points. Gainers outnumbered losers by 8-to-7, on lower volume of 158.3 million shares compared with 163.67 million Thursday.

"The waters are choppy, but the market continues to plow through them," said Monte Gordon, research director at Dreyfus Corp.

While some traders called investors "skittish," Mr. Gordon said some of the fear in the market at the start of the week lifted by Friday.

The actual presence of U.S.-flagged Kuwaiti vessels in the Gulf seemed to alarm investors less than the prospect did, Mr. Gordon noted.

The market got an early lift Friday from news that the Japanese stock market had scored its biggest point-gain in history.

"Some Japanese money may come into our market again, recession fears can be set aside, and there is no significant risk of inflation or change in Federal Reserve monetary policy," Mr. Gordon said.

He noted that after the Dow moved through 2,500 on July 17, it retreated a bit as the market waited to see if buyers would come in to support the new levels. He said that because selling did not intensify as the market backed off from its record highs, buying likely will start up again.

The government's report that U.S. gross na-

tional product grew at an inflation-adjusted 2.6 percent rate during the second quarter also was positive, traders said, but they added that weaker bond prices and a slightly lower dollar curbed the market's gains.

The dollar traded quietly, with Gulf tensions making investors hesitant to take aggressive positions in front of a weekend.

Bear, Stearns was the most active NYSE-listed issue, rising 1/4 to 16 1/4.

Southern Co. followed, slipping 1/4 to 24 1/4. Dayton-Hudson was third, climbing 1/4 to 52. The company said it has received a letter from Herbert H. Haft of Landover, Maryland, informing the company that a group of investors he leads intends to buy more than \$15 million of Dayton-Hudson stock.

The Limited rose 1 to 46 1/4. Its board authorized a buyback of 2 million shares in the open market or in private transactions.

The technology sector was steady through much of the session but gathered steam in late trading. IBM rose 1/4 to 161 1/4. Digital Equipment jumped 1 1/2 to 165 1/4 and Cray Research climbed 3/4 to 99 1/4. NCR rose 1/4 to 16 1/2. Unisys added 1/2 to 128 1/4. Compaq Computer rose 1/4 to 47 1/4 and Motorola jumped 1/4 to 56 1/4.

Nicard, Mohawk Paper fell 1/4 to 14 1/4. Late Thursday the company cut its dividend to 30 cents a share from 52 cents and reported a \$569.4 million loss for the last six months. It had taken a one-time \$755 million after-tax writedown for costs linked to its Nine Mile Point Two nuclear plant.

12 Month	High	Low	Stock	Div. Yld. PE	100 High	Low	Close	Chg.
12 Month	High	Low	Stock	Div. Yld. PE	100 High	Low	Close	Chg.

12 Month	High	Low	Stock	Div. Yld. PE	100 High	Low	Close	Chg.
12 Month	High	Low	Stock	Div. Yld. PE	100 High	Low	Close	Chg.

12 Month	High	Low	Stock	Div. Yld. PE	100 High	Low	Close	Chg.
12 Month	High	Low	Stock	Div. Yld. PE	100 High	Low	Close	Chg.

Friday's NYSE Closing

Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, Close, Change. Lists various stocks and their performance.

Table with columns: 12 Month High, Low, Stock, Div. Yld. PE, Close, Change. Continuation of stock market data.

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U.S. Futures

Table with columns: Season High, Season Low, Open, High, Low, Close, Chg. for various futures contracts.

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Table with columns: Season High, Season Low, Open, High, Low, Close, Chg. for various futures contracts.

Food

Table with columns: Season High, Season Low, Open, High, Low, Close, Chg. for food futures.

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Table with columns: Season High, Season Low, Open, High, Low, Close, Chg. for food futures.

EURODOLLARS (IMM)

Table with columns: Season High, Season Low, Open, High, Low, Close, Chg. for Eurodollars.

Table with columns: Season High, Season Low, Open, High, Low, Close, Chg. for Eurodollars.

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Table with columns: Season High, Season Low, Open, High, Low, Close, Chg. for Eurodollars.

NYSE Highs-Lows

Table with columns: New Highs, New Lows, Stock, Price, Change.

AMEX Highs-Lows

Table with columns: New Highs, New Lows, Stock, Price, Change.

Company Results

Table with columns: Company Name, Revenue, Profit, EPS, Dividend, etc.

Currency Options

Table with columns: Currency, Strike, Price, Change.

Financial

Table with columns: Instrument, Price, Change.

DM Futures Options

Table with columns: Instrument, Price, Change.

Paris Commodities

Table with columns: Commodity, Price, Change.

Dividends

Table with columns: Company, Dividend Amount, Date.

London Commodities

Table with columns: Commodity, Price, Change.

Spot Commodities

Table with columns: Commodity, Price, Change.

U.S. Treasuries

Table with columns: Instrument, Price, Change.

London Metals

Table with columns: Metal, Price, Change.

S&P 100 Index Options

Table with columns: Index, Price, Change.

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BUSINESS ROUNDUP

Exxon's Net Up, Other Firms Mixed

NEW YORK — Exxon Corp., the world's largest oil company, reported Friday that its second-quarter profit rose just 3 percent to \$1.15 billion from a year earlier as prices for refined petroleum products failed to keep pace with the higher cost of crude oil.

"Although domestic crude oil prices increased throughout the first six months, they still averaged somewhat below last year's levels and were significantly below 1985 levels," he said.

Phillips Petroleum Corp. reported earnings of \$3 million, down 63 percent from \$8 million in the second quarter of 1986. Revenue was \$2.64 billion, up 13 percent from \$2.34 billion. The company said there were no earnings per share after deducting preferred stock dividends.



John D. Elliott, Elders IXL

Elders Shares Rise Sharply On Hints of Restructuring

SYDNEY — Elders IXL Ltd.'s share price rose 20 cents Friday to 5.30 Australian dollars as speculation increased that the brewing, natural resources and agricultural company would be restructured.

Company Results

Table of company results with columns for company name, revenue, profit, and earnings per share. Includes companies like British, Canadian, and American firms.

Texaco Wins Extension In a Blow to Pennzoil

WHITE PLAINS, New York — Texaco Inc. won a key round in bankruptcy court Friday when a judge ruled that the oil company was entitled to a four-month extension of the period in which to file a plan of reorganization.

Shares Ruled Worthless in H.K. Bank

HONG KONG — A tribunal has declared that no compensation will be paid to shareholders in the failed Overseas Trust Bank, the Hong Kong Government Gazette reported Friday.

Fairfax Sells Channel Seven

SYDNEY — John Fairfax Ltd., the Australian media group, said Friday it had sold its Channel Seven television network to Universal Telecasters Ltd. of Brisbane for 780 million Australian dollars (about \$550 million).

Haft Partners Seek Dayton Hudson Stake

MINNEAPOLIS — Dayton Hudson Corp., the Minneapolis-based retailing giant, said Friday it had been informed that a partnership wanted to buy more than \$15 million worth of its outstanding common shares.

land, informing the corporation that the proposal was being made by the Haft-controlled Madison Partnership.

midday Friday, the stock was up \$4.125 a share, at \$51.75.

Little Rejects Plenum Offer

CAMBRIDGE, Massachusetts — Arthur D. Little, the U.S. consulting firm, said Friday its board had rejected an unsolicited takeover bid by Plenum Publishing Corp. valued at about \$128 million.

Shares Ruled Worthless in H.K. Bank

The tribunal was set up to determine the amount of compensation, if any, to which registered holders of shares were entitled, based on the value of a single share on the day prior to the takeover.

Friday's AMEX Closing. Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere.

Table A: 13 Month High/Low Stock, Div, Yld, PE, etc. Lists various stocks and their performance metrics.

Table B: 13 Month High/Low Stock, Div, Yld, PE, etc. Lists various stocks and their performance metrics.

Table C: 13 Month High/Low Stock, Div, Yld, PE, etc. Lists various stocks and their performance metrics.

Table D: 13 Month High/Low Stock, Div, Yld, PE, etc. Lists various stocks and their performance metrics.

Table E: 13 Month High/Low Stock, Div, Yld, PE, etc. Lists various stocks and their performance metrics.

Table F: 13 Month High/Low Stock, Div, Yld, PE, etc. Lists various stocks and their performance metrics.

OTC. Includes text and graphics related to over-the-counter trading.

CURRENCY MARKETS

Dollar Weakens, Shrugging Off GNP

NEW YORK — The dollar closed lower Friday, primarily against the Japanese yen, after a better-than-expected report on the U.S. economy failed to elicit the support needed to drive the currency higher.

London Dollar Rates table with columns for currency, rate, and change.

Friday that the inflation-adjusted gross national product grew at a 2.6 percent annual rate in the second quarter, a figure at the high end of market expectations.

Japanese Banks Expected to Lift Long-Term Rate

TOKYO — Japan's three long-term banks will raise their long-term prime rate by three-tenths of a percentage point, to 5.2 percent, effective Aug. 1, bank officials said Friday.

U.S. Will Lift Ban on Sale Of Foreign Options Contracts

WASHINGTON — U.S. futures regulators have voted unanimously to lift a ban on the sale of foreign options and apply regulatory safeguards to foreign futures and options to protect the interests of U.S. customers.

Japan Platinum Imports Up

TOKYO — Japan, the world's largest platinum consumer, will import more this year, reflecting increased delivery at the Tokyo jewelry, industry sources said Friday.

Foreigners' Bonds Oversubscribed in Kuwait

By Olfar Tohamy Special to the Herald Tribune CAIRO — Kuwaiti authorities are cautiously welcoming interest by foreign investors following the launching of two major Kuwaiti bond issues, which marked the end of a five-year moratorium on such operations.

BANKS: Record U.S. Losses

(Continued from first finance page) Citicorp had the best earnings in this area, \$129 million, followed by Bankers Trust New York Corp. with \$101.1 million.

GREENSPAN: Skills Disputed

(Continued from first finance page) Greenspan's forecasts anticipated the weaker growth that year and in 1986. But the economy proved even weaker than the forecasts.

Euro-Commercial Paper

Table with columns for issuer, amount, and dates for Euro-Commercial Paper.

Friday's OTC Prices MASDAQ prices as of 4 P.M. New York time. Via The Associated Press.

Large table of stock market data with columns for stock name, price, and change.

Large table of stock market data with columns for stock name, price, and change.

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Reaching More Than a Third of a Million Readers in 164 Countries Around the World. Herald Tribune.

ACROSS

1 Law's partner
6 Midnight and Kangaroo:
10 Masticate
14 Gather
19 Reagan's Attorney General
20 Hawaiian island
21 You may dig this
22 Wine grape
23 CORNHUSKER PRESIDENT
26 Up
27 Edge
28 Part of a well-known palindrome
29 Fragrant compounds
31 Like a certain thumb
32 HEART OF DIKIE ACTOR
36 Ancient Romans' neighbors
38 Beats for P.O. counters
39 Les Nations

ACROSS

41 Overtakes
42 Grants, as territory
45 Press
46 —rod (a molding)
49 Scent
50 MOUNTAIN DANCE
55 Cruise port
56 Matches up
58 Tender cut of meat
59 Survey
60 Lie, in court
62 Now, in Nicaragua
64 Gave a talk
65 TREASURE COSMETICIAN
70 Webster and Berry
72 Certain arches
73 Frankenstein creation
76 Envelope wd.
77 British carbine
78 Alter
80 "—Got a Secret"
81 BADGER STREET
86 Arabian port
87 Far East

ACROSS

88 "—to laugh": Pinero
89 Exhausted
90 "—17"
93 Former Egyptian president
95 Rose or Rozelle
97 Seasonal singer
99 FIRST FISH DISH
104 Sharif or Bradley
105 Site of Fort McIntosh
108 Key
109 Coach Landry
116 "Cops": "— Bulba"
112 BUCKEYE EXPLORER
116 Kind of wind
117 No. in Nürnberg
118 Concert
119 Turn inside out
120 "—, a tuft"
121 Vocalized
122 Military meal
123 Street show

DOWN

1 Siouan Indian
2 Wat Tyler was one
3 Skin layer
4 That: Sp. fem.
5 Prepares leftovers
6 "—you are!"
7 Lose one's cool
8 Genuine article
9 Fill-in
10 Pure
11 Army
12 Actress
13 Sommar
14 Eroses
15 MAGNOLIA MICHAEL AND FAMILY

DOWN

16 Chekhov and Bruckner
17 Evening event
18 Ictus
24 Poilu's weapon
25 Process, as sugar
30 Flavor producer
33 Rabbit or Fox
34 Entices
35 "—pronounce you"
37 Report of a sort
40 Enlightenment to Zen
41 Buddhist
42 I.T.T. or A.T.&T.
43 Stein-Pimpton book

DOWN

44 Cellar-dwellers
45 Her, in Hamburg
47 Of birds
48 Old Japanese coin
50 "—Yellow Ribbon..."
51 Uncouth ones
52 Middy
53 Kind
54 Item stored in a buttry
56 Cerl
59 Freight weight
60 Cowboy's refusal
61 CENTENNIAL SINGER
62 The Sum mit, in Houston
63 Color

DOWN

64 Dispatch
66 "Tell it—Gath"
67 Insurance men
68 Hook's henchman
69 "Eight weight
70 Cowboy's refusal
71 Early Brazilian people
74 Odd opposite
75 Let

DOWN

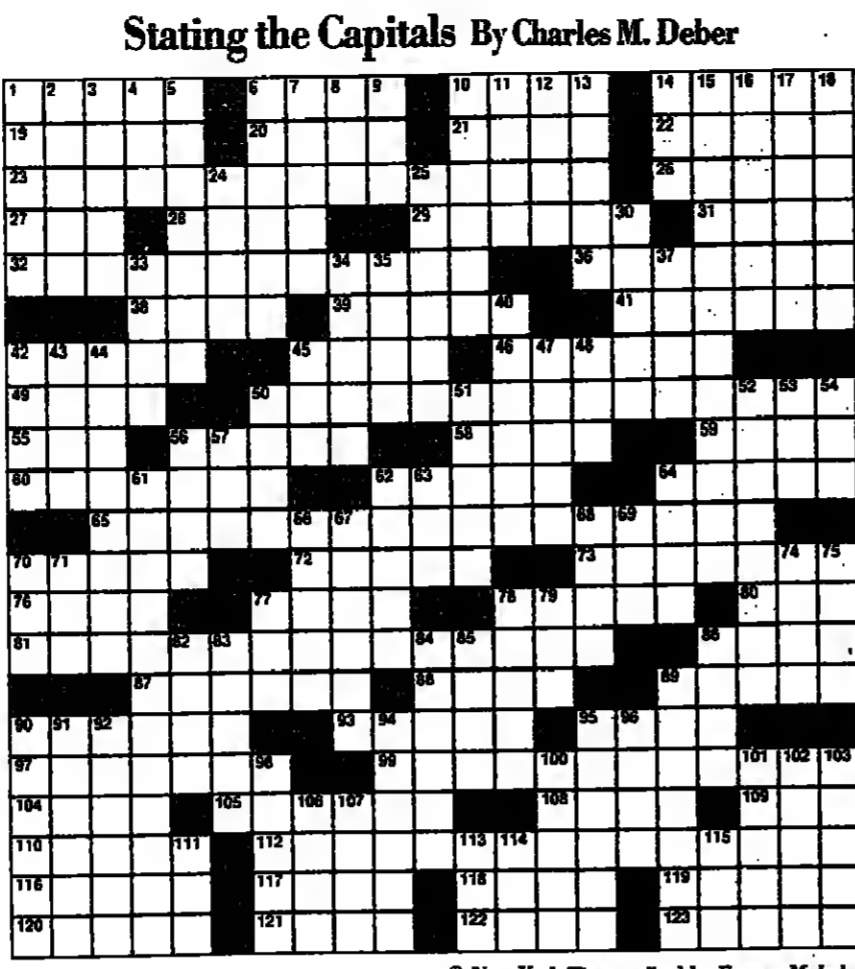
77 Tor-to-N.Y. dir.
78 Luos or Colby
79 Followers of lambdas
82 Actina
83 Actor Bruce: 1895-1953
84 Certain tapes, colloquially
85 Handy Latin abbr.
86 Pongids

DOWN

89 Con man's accomplice
90 George C. and Randolph
91 Estorina Geva
92 Ancient Armenia
94 Sum problem?
95 Turkish titles
96 Film director
98 Draws off wine
100 Uses a towel

DOWN

101 Tryon's "The
102 French coal
103 Indulge in cabotage
106 Cronos's wife
107 Hibernia
111 Cambodian coin
113 Comedian Con-way
114 Parabasis
115 Macrogametes



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THE INVERTED JENNY:
Mystery, Money, Mania
By George Amick. Illustrated. 250 pages. \$19.95. Scott Publishing Company-Amos Press Inc., 911 Vandemark Road, Sidney, Ohio 45365.

Reviewed by Christopher Lehmann-Haupt

EVERYONE without the faintest interest in stamp collecting knows that the so-called inverted Jenny is the best-known error in the history of philately. But despite its fame, is this carmine-and-blue 24-cent 1918 stamp with the Curtiss JN-4 biplane flying upside down on its face really worth a book? To judge from George Amick's "Inverted Jenny: Mystery, Money, Mania," it most definitely is. Amick not only re-creates the mystique surrounding a tiny gummed piece of paper that has aroused people to theft and thoughts of murder, he also makes us reflect on the absurdity of certain human values.

Many people are aware of the more conspicuous moments in the Jenny's history — how a lucky customer bought the only distributed sheet of the error at the stamp window of a Washington post

BOOKS

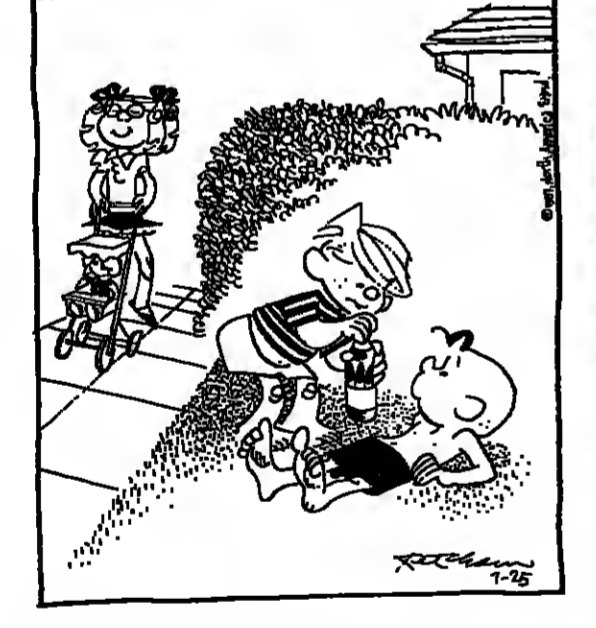
office. How he sold the 100 stamps for \$15,000 to a dealer who turned around and sold them for \$20,000 to the eccentric, cork-legged millionaire Edward H.R. Green, son of the penny-pinching Hetty Green, known as "the witch of Wall Street." How the value of the stamp climbed inexorably through boom times and bust until a single specimen was auctioned in 1982 for close to \$200,000.

Amick — who is editorial page editor for The Times of Trenton, author of the "American Way of Graft" and a frequent contributor to philatelic periodicals — embellishes his account of these events with less well-known details. The original buyer of the stamps, William Thomas Robey, was a sophisticated stamp collector who knew enough about the vagaries of bicolor printing to be on the lookout for a possible error, which may well have slipped through because some of the people who handled the stamp had ever seen an airplane and didn't know the difference between upside down and right side up.

The only place that Robey and his wife could think of to hide their treasure from outraged postal



DENNIS THE MENACE



"NOW DON'T START SCREAMING UNTIL AFTER I POUR THIS KETCHUP ON YOU."

Solution to Last Week's Puzzle

ACROSS
1. SWEET
2. SNAKE
3. LARK
4. SNOW
5. MOUSE
6. BEAR
7. RABBIT
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Christopher Lehmann-Haupt is on the staff of The New York Times.

World Stock Markets
Via Agence France Presse Closing prices in local currencies, July 24.

Market	Index	Change
Amsterdam	492.80	+4.20
Bombay	163.50	+1.50
Buenos Aires	100.00	+1.00
Calcutta	100.00	+1.00
London	2799.25	+25.00
Madras	100.00	+1.00
Mumbai	100.00	+1.00
Paris	120.00	+1.00
Rangoon	100.00	+1.00
Singapore	100.00	+1.00
Tokyo	100.00	+1.00
Yokohama	100.00	+1.00

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Rangoon	100.00	+1.00
Singapore	100.00	+1.00
Tokyo	100.00	+1.00
Yokohama	100.00	+1.00

WEATHER

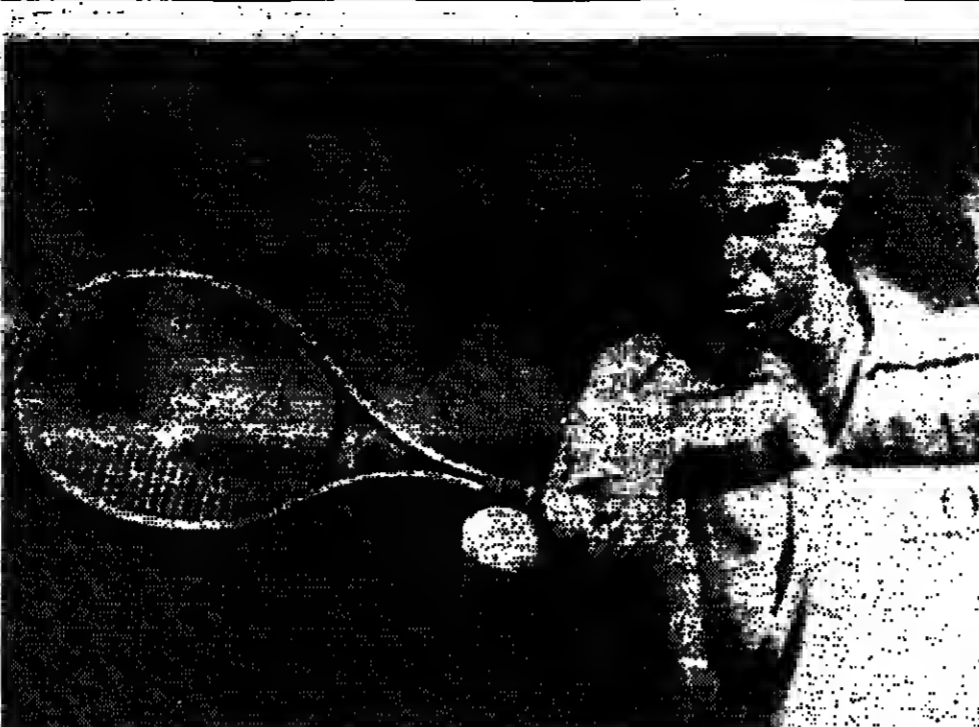
Region	High	Low
Europe	15-20	10-15
Asia	25-30	20-25
North America	20-25	15-20
South America	25-30	20-25
Africa	25-30	20-25
Oceania	25-30	20-25

Vertical text on the right edge of the page, including "KOREBOA" and other illegible characters.

SPORTS

Delgado, Roche in Duel As Tour Nears Its End

United Press International
DIDON, France — Pedro Delgado of Spain and Ireland's Stephen Roche kept the 74th Tour de France a two-man race heading into the final weekend by finishing together in the pack in the mainly flat 23d stage Friday.



Pat Cash in his winning match against Leonardo Lavalle in the Davis Cup quarterfinals.

India, Australia and Sweden Take Leads in Quarterfinals

Compiled by Our Staff From Dispatches
NEW DELHI — India, Australia and Sweden jumped to 2-0 leads Friday on the first day of play in the World Group Davis Cup quarterfinals.

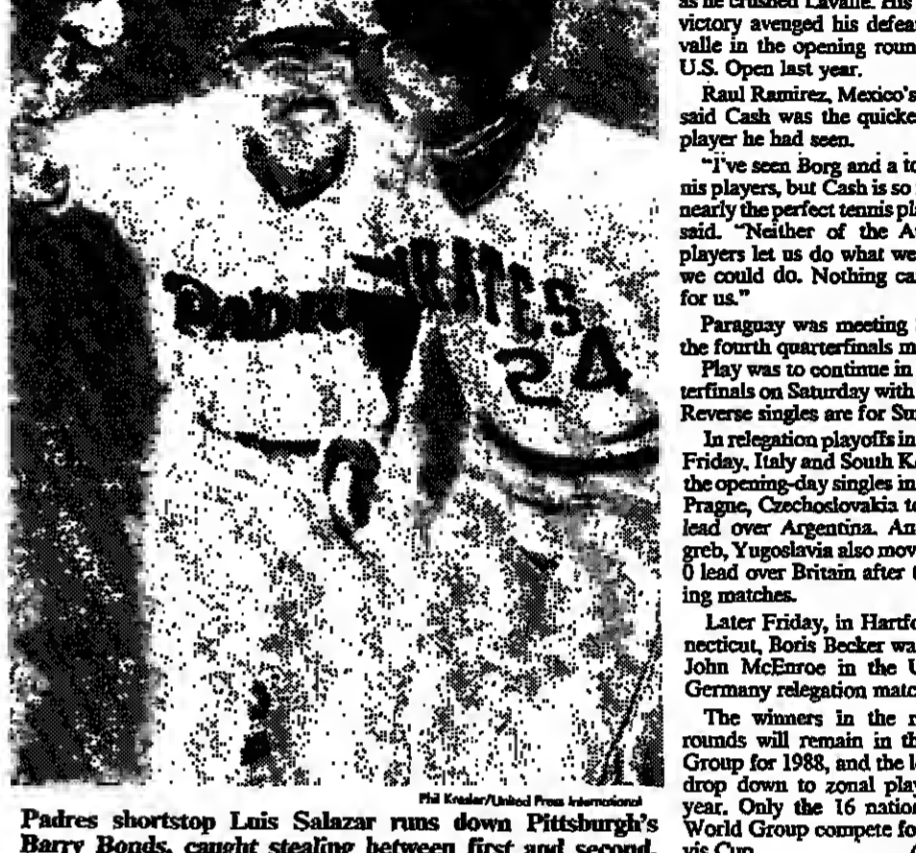
Parker, Back in Form, Drives in 6 to Power Reds' Victory

Compiled by Our Staff From Dispatches
MONTREAL — Dave Parker, fighting off the flu and a bating slump, Thursday night equaled his career-high with six runs batted in.

Buckner Waived by Red Sox

Washington Post Service
BOSTON — First baseman Bill Buckner, who has more than 2,500 major league hits and one unforgettable World Series error, was waived Thursday by the Boston Red Sox.

Padres Shortstop Luis Salazar Runs Down Pittsburgh's Barry Bonds, Caught Stealing Between First and Second



Padres shortstop Luis Salazar runs down Pittsburgh's Barry Bonds, caught stealing between first and second.

SPORTS BRIEFS

Dougherty Breaks Buick Open Record

GRAND BLANC, Michigan (AP) — Ed Dougherty, trying to re-establish himself on the PGA Tour after winning several years as a club pro, set a first-round tournament record with an 8-under-par 64 Thursday, good enough for a one-stroke lead in the Buick Open.

Germain, Laner Tied in Women's Golf

EDISON, New Jersey (UPI) — Dot Germain, a 40-year-old pro with one victory, sank a curling 60-foot (18-meter) birdie putt on the 16th hole Thursday to earn a share of the lead with Bonnie Laner after the first round of the U.S. Open.

The Basic Right to Criticize the Ump

NEW YORK (NYT) — Needing the umpire as a time-honored baseball tradition, it is also legal, a New York appeals court has ruled. The Appellate Division of State Supreme Court in Manhattan on Thursday threw out a \$100,000 fine levied against a fan for criticizing the umpire.

BASEBALL ROUNDUP

les in 1975, now has 67 this season. With his batting average dipping to .267, Parker had taken extra batting practice for several days.

BASEBALL ROUNDUP

eight, walked two and hit a batter before giving way to Rich Gossage, who got the last out.

VANTAGE POINT/Ira Berkow

Nothing but the Truth About Taylor's Book

New York Times Service
NEW YORK — The impression given in the Sport magazine excerpt of the forthcoming autobiography, "I, T. Living on the Edge," by Lawrence Taylor with David Falkow, is that New York Giants officials knew of Taylor's cocaine problem, and because he was such a good player, did nothing about it.

SCOREBOARD

Baseball

Table with columns for Thursday's Line Scores, Major League Leaders, and Major League Standings. Includes data for American League and National League.

Tennis

Davis Cup

Table with columns for Davis Cup, American League, and National League. Includes match results and player statistics.

Cycling

Tour de France

Table with columns for Tour de France, American League, and National League. Includes race results and player statistics.

Football

CFL Standings

Table with columns for CFL Standings, American League, and National League. Includes team records and player statistics.

Transition

BASEBALL
American League
BALTIMORE—Recalled Scott McGregor, pitcher from Rochester of the International League, placed Fred Lynn, outfielder, on the 15-day disabled list.

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Large advertisement for the International Herald Tribune featuring a 'Save 40%' offer and a subscription form. Includes contact information and a table of subscription rates.

Best-Seller Trial Of Jeffrey Archer

By Karen DeYoung
Washington Post Service

LONDON — After one of the more riveting trials here in recent memory, a High Court jury Friday awarded author Jeffrey Archer £500,000 (about \$800,000) in libel damages from the British tabloid The Star.

The newspaper must also pay legal costs of £700,000 in the trial, over a Star story alleging that Archer had had relations with a prostitute and had tried to pay her off to avoid a scandal.

If not the trial of the century, Archer's libel suit against one of Britain's leading "popular" newspapers provided riveting summer entertainment. It had something for everyone. Politics, Sex, Love, Lust, Lies, Power, Money.

Following two weeks of testimony, the jury took just four and one-half hours to agree with Archer, who had told them from the start, "I may have made a fool of myself, but I'm no liar."

Events leading up to the court case began last September when Archer, a multimillionaire author and then-senior figure in Britain's Conservative Party, received an unusual telephone call from a woman who identified herself as a prostitute.

One of her clients, the woman said, had been spreading stories about her relationship with Archer, and she was being harassed by smut-seeking newspapers intent on publicizing it.

Archer expressed surprise, and protested that he had never met the prostitute, let alone purchased her services. But he sympathized with her problem, and realized that the bad publicity, even if untrue, could harm his political career. After several more phone calls over a period of weeks, he told the court, during which he became increasingly distressed for both her welfare and his own, he suggested she might want to leave the country for a while, and offered to help her with a £2,000 payment.

The defendant in the case, Express Newspapers, proprietors of The Star, described those same events in court from another angle. A British newspaper — not The Star — received a tip from a self-described client of the prostitute who claimed to have seen Archer with her and recognized him. Armed with a photograph of Archer, the newspaper approached the prostitute. While she said she was unfamiliar with his name and

profession, she positively identified him as someone who had purchased her services.

Appealing to her patriotism and her pocketbook, the newspaper arranged for her to telephone Archer and explain that he was in danger of exposure. After several conversations, all of which were tape-recorded without Archer's knowledge, he offered her money to leave the country. The newspaper, continuing its "investigative journalism," photographed the exchange of funds between an associate of the author and the prostitute.

Both versions ended the same way, with an expose and photographs on the newspaper's front page. Within hours after publication, on Oct. 27, Archer issued a statement insisting he had never met the prostitute and had been trapped by the newspaper. He acknowledged, however, that he had spoken to her, and "foolishly" arranged to help her leave the country. Archer then resigned as deputy chairman of the Conservative party.

For purposes of the libel case, only one question counted: Did Archer purchase and have sex with the prostitute on that long ago night last September? The paper — and the jury — said yes. Archer — and the jury — said no.

From the start, it was clear that the case would be crowd-drawer.

Archer, two of whose seven best-selling novels ("Kane and Abel" and "First Among Equals") have been made into television mini-series, is an international celebrity. His resignation from his party position caused a major upheaval here.

At the same time, tabloid newspapers such as The Star, which provide the main news diet for millions of Britons, are driven by cutthroat competition. Typical of the ferocity of that competition is that it was not The Star that broke the Archer story, but the News of the World, a Sunday tabloid whose Oct. 27 article carefully avoided saying that Archer had had intercourse with the woman, leaving selected portions of the taped conversations and the cash payment to speak for themselves. Archer has a separate lawsuit pending against the News of the World.

So apparently dismayed was The Star at being scooped, however, that it ran its own Nov. 1 story, based on an interview with a relative of the prostitute, stating that Archer had paid for sex with her. Spectators began lining up hours before the court opened each day, hoping



Mary Archer



Jeffrey Archer

for a chance to squeeze onto one of the six narrow public benches inside before the "full" sign went up on the door. So many journalists turned up to cover the proceedings that the judge, who appeared alternately bemused and bored by the testimony, on occasion invited the overflow to share his bench.

In pursuit of the truth, a jury of four women and eight men heard Archer describe his love for his wife, his close relationship with Prime Minister Margaret Thatcher, and the damage done by the story to his political career.

Well-dressed, clean-shaven and tanned, Archer, 47, appeared during several days on the witness stand to be precisely what he is — a clever, tightly controlled, relentless achiever. Elected to Parliament at age 29, he subsequently resigned after a disastrous investment left him close to bankruptcy. Never one to mope, he wrote a novel based on the financial scam that had left him destitute.

It soon became a trans-Atlantic best seller, and he followed it with six more, all of which were hugely successful. By 1985, he had re-established his bank balance and reputation and was asked by Thatcher to take over as deputy party chairman, an appointment Conservative strategists thought would add a bit of dash to the staid Tory image. According to testimony in the case, Archer hoped eventually to take over as party chairman.

As described by himself and his lawyer, Robert Alexander, Archer had nothing to gain and everything to lose by picking up a London streetwalker in a hazy neighborhood, paying her the equivalent of about £70 for quick sex in a seedy hotel and then attempting to lie about it. His mistake, they argued, was in

being so fearful of the power of the tabloid press that he was prepared to pay off a woman he never met to avoid even the appearance of a scandal over something for which he was blameless. If Archer was not open telling the truth, why would he compound the disgrace and embarrassment the story had caused by dredging it all up, in excruciating detail, in court?

In his closing argument at Wednesday's court session, Armstrong described the story as "wholly false," turned by The Star from a "back-street bedroom farce into a wicked plot to destroy a human being."

Although the editor of The Star did not testify, his counterpart at the News of the World did. Archer, he said, had telephoned him repeatedly on the night before the story broke, alternately begging him not to run the story and threatening him if he did. Those conversations, too, were taped by the newspaper, unbeknownst to Archer.

In his closing argument, the defense counsel Michael Hill described Archer as a man with "some fantastic fictional picture of himself in his mind" that drove him to the prostitute, who had then "lied and lied and lied" both to reporters and to the jury.



Monica Coghlan

Archer was unquestionably helped by the testimony of his wife, Mary, a Cambridge University professor. They after she appeared at her husband's side, a neat, attractive figure with short black hair, doggedly scribbling notes on a legal pad. Reporters compared her supportive and fiercely loyal demeanor to that of Betsy North, whose husband Oliver had been appearing in a different sort of proceeding across the Atlantic.

Far from being familiar with the ways of prostitutes, Mary Archer testified, her husband would probably run the other way in fright if he encountered one. It seemed perfectly plausible to her, knowing Jeffrey, that he would feel sorry for a woman he had described as sounding "frightened and desperate." Only rarely did Mary Archer lose control on the witness stand. Occasionally she wept quietly, and once she shouted at the editor of The Star.

The main attraction throughout, however, was 36-year-old Monica Coghlan, the prostitute known to Archer in his telephone conversations with her as "Debbie."

Alternating between hysterical weeping, shouting and soft-voiced cooing, Coghlan told the court she had been flown into prostitution after being sexually abused as a teen-ager. Since then, she said, she had slept with thousands of men for money, all of which she had either squandered on herself or spent on clothing for her young son.

Coghlan maintained throughout that she is little more than a pawn of more powerful figures — including Archer and the press. She denied being paid by the newspaper for her help, and maintained that she received only "expenses."

Beatles Seek \$40 Million

The Beatles have filed a \$40-million lawsuit against their former record company and demanded the return of master tapes of their big albums. The Beatles charged Thursday in state Supreme Court in Manhattan that Capitol Records and its parent company EMI unlawfully withheld release of the group's records on compact discs for two years, the New York Post and the Daily News said. The suit also claims the record company is illegally taking 25 percent from the Beatles' compact-disc royalties, the Post said. The suit was filed on behalf of Paul McCartney, George Harrison, Ringo Starr, John Lennon's widow, Yoko Ono, and their now-defunct Apple record label.

The Franco-Italian co-production "Las Noches barbares" (Crusades), by the French director Maurice Pialat, won the 30th Barcelona film festival award for best film. The film, which had its world premiere at the festival, is based on a best-selling French novel by Yann Queffelec.

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Hilda Crooks, a 91-year-old mountaineer from Los Angeles, California, reached the top of Mount Fuji, Japan's tallest peak, at dawn Friday after a difficult three-day climb. She is the oldest woman to conquer the 12,385-foot (4,063-meter) Mount Fuji. In the last leg of her climb, Crooks left a rest hut at 1 A.M. and inched her way up to the final 320 yards, resting in a camp chair every few minutes. "Since she was 66, Crooks has scaled 97 peaks, including 86 of the Sierra Nevada mountains over 4,000 feet high. The previous holder of the women's record for Mount Fuji was Miss Virginia K. Kanagawa, a resident of Tokyo, who climbed Fuji in the 1980s at age 90, said officials at the sponsoring company, Tetsuji Iguchi of Fukushima state in northern Japan holds the men's age record, climbing the mountain 63 miles southwest of Tokyo last summer at 99. He plans to climb Fuji again next month, at age 100.

President Abdou Diouf of Senegal and Thomas R. Odhiambo, a Kenyan pest control expert, were named joint winners of the Africa Prize for Leadership, a new \$100,000 award sponsored by the New York-based Hunger Project. Robert McNamara, chairman of the six-member judges' panel and a former World Bank president, announced the winners by satellite from Washington on a television screen set up in a Nairobi hotel. McNamara said Diouf, last year's chairman of the 50-nation Organization of African Unity, was chosen because of his leadership in

searching for "solutions to the problems affecting the African continent." Odhiambo, founder and director of the Kenya-based International Center of Insect Physiology and Ecology, was lauded for his work in establishing the research center, which advises on controlling or killing the pests that ravage African crops.

A notebook that belonged to the Irish poet W.B. Yeats with verse dedicated to Maud Gonne, the woman who spurred his marriage proposals for 25 years, was sold Thursday at auction for £34,000 (about \$57,760) at Sotheby's in London. One of the poems, pleading his undying love to Gonne, is an early version of the famous verse, "When you are old and gray, / And I have turned to stone, / I shall still love you, dear, / As I loved you when you were young." The poem, written by hand in a vellum-bound notebook with the title "Faintest of the Yeats," was penned at the time Yeats first proposed to Gonne, who was an ardent Irish nationalist opposed to British rule in Ireland. She eventually married the Irish nationalist hero John McBride. Yeats proposed to a number of women after he realized his love for Gonne was hopeless, including fruitlessly proposing to her daughter. He finally married in 1933 at the age of 52 and died in 1939 at the age of 74.

Liberal, the glitzy-timezine, which combined piano and pizzazz, will be the subject of a television movie made by Dick Clark Productions Inc., the company announced. Clark's production company and the Liberate estate have joined in an agreement concerning the film, a two-hour movie set up in a Nairobi hotel. Television, Clark said, Liberate died in February from complications of AIDS, or acquired immunodeficiency syndrome.

GOING ONCE TWICE, SOLD!
INTERNATIONAL ART EXHIBITIONS, AUCTION SALES' COLLECTOR'S GUIDES IN SATURDAY'S INTERNATIONAL HERALD TRIBUNE TODAY ON PAGE 6.

CONGRATULATIONS AND BIRTHDAY MESSAGE CENTER

ANNOUNCEMENTS

MOVING

ALLIED WORLDWIDE MOVING

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PERSONALS

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